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on July 21, 2005

  
Karen E. Klumas  
Reg. No. 31,070  
Attorney for Appellant(s)

07/21/05  
Date of  
Signature



**PATENT**

**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE  
BEFORE THE BOARD OF PATENT APPEALS AND INTERFERENCES**

Customer No.: 000201  
Attorney Docket No.: J3509(C)  
Appellants: Johnson et al.  
Serial No.: 09/764,734  
Filed: January 17, 2001  
For: Antimicrobial Compositions  
UNUS No.: Y2-0117-UNI

Group: 1616  
Examiner: A. Pryor  
Englewood Cliffs, New Jersey 07632  
July 21, 2005

**BRIEF FOR APPELLANTS**


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Sir:

Enclosed herewith are three (3) copies of an Appeal Brief for Appellants.

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Respectfully submitted,

  
Karen E. Klumas  
Registration No. 31,070  
Attorney for Applicant(s)

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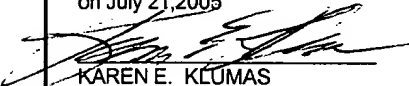
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**APPEAL BRIEF**

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Sir:

This is a Brief on Appellants' Appeal from the Examiner's Final Rejection concerning the above-identified application.

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**APPEAL BRIEF**

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## **I. REAL PARTY IN INTEREST**

Unilever Home & Personal Care USA, Division of Conopco, Inc. is the real party in interest.

## **II. RELATED APPEALS AND INTERFERENCES**

The application under appeal is currently the subject of litigation in the United States District Court for the Northern District of California, which litigation has been stayed pending an arbitration in London. A copy of the order staying the litigation is provided in the Related Proceedings Appendix. There are no other prior or pending appeals, interferences or judicial proceedings known to Appellants, the Appellants' legal representative, or assignee which may be related to, directly affect or be directly affected by or have a bearing on the Board's decision in the pending Appeal.

## **III. STATUS OF CLAIMS**

Claims 1, 3, 4, 7, 8, 10-15, 18, 21 and 23 are rejected and on Appeal. Claim 2 has been canceled. Claims 5, 6, 9, 16, 17, 19, 20, 22 and 24-27 are objected to for the reasons of record. As to claims 5, 17, 20, 26 and 27, the reasons of record indicate the claims to be allowable if rewritten in independent form (including all of the limitations of the base claim and any intervening claims); as to claims 9, 16, 22, 24 and 25, the Office Action of April 20, 2004, removed the art-based rejection of such claims, accordingly, it is believed that the record supports such claims also being deemed allowable if rewritten in independent form (including all of the limitations of the base claim and any intervening claim).

#### **IV. STATUS OF AMENDMENTS**

All amendments presented prior to the Final Rejection dated October 21, 2004 have been entered; no amendments were submitted after said Final Rejection.

## **V. SUMMARY OF CLAIMED SUBJECT MATTER**

The claims on appeal are summarized as follows:

Independent claim 1 identifies an antimicrobial composition that comprises a solution in an organic solvent of a transition metal chelator anion and an organic cation, wherein the cation comprises a protonated or quarternized amine (other than triisopropanolamine) containing 0 to 5 hydroxyl groups per N-substituent and at least one N-substituent comprising a C<sub>1</sub> to C<sub>10</sub> terminal hydrocarbyl group, the composition being for use on the outer surface of the human body or on apparel worn in close proximity thereto. See the specification at page 6, lines 6 to 15; page 16, lines 5 to 6; and page 17, lines 25 to 26.

Claim 3, dependent on claim 1, identifies the composition as a deodorant composition. See the specification at page 6, lines 29 to 31.

Claim 4, dependent on claim 1, identifies the cation of the chelator salt as a protonated amine. See the specification at page 6, lines 6 to 16.

Claim 7, dependent on claim 1, identifies the organic cation as being present at a level sufficient to lead to an aqueous solution of the chelator salt having a pH of between 6 and 8. See the specification at page 14, lines 5 to 8.

Claim 8, dependent on claim 1, describes the anion of the transition metal chelator salt as having an affinity for iron (III). See the specification at page 10, lines 8 to 9.

Claim 10, dependent on claim 1, identifies the transition metal chelator salt as a polyaminocarboxylic acid salt. See the specification at page 11, lines 23 to 30.

Claim 11, dependent on claim 1, specifies that the anion of the transition metal chelator salt has an acid form comprising at least five acid groups. See the specification at page 11, lines 9 to 11.

Claim 12, dependent on claim 10, specifies that the transition metal chelator salt is a diethylenetriaminepentaacetic acid salt. See the specification at page 10, line 31 to page 11, line 4; and page 11, lines 27 to 28.

Claim 13, dependent on claim 1, specifies that less than 50% by weight of water is present in the composition, excluding any volatile propellant that may be present. See the specification at page 17, lines 4 to 13.

Claim 14, dependent on claim 13, specifies that the ratio of other liquid components to water is greater than 65:35 by weight. See the specification at page 17, lines 13 to 17.

Claim 15, dependent on claim 1, specifies that the chelator salt is present at a concentration of 0.01% to 10% by weight, excluding any volatile propellant present. See the specification at page 12, lines 7 to 11.

Claim 18, dependent on claim 1, identifies the composition as comprising an additional anti-microbial agent. See the specification at page 18, lines 2 to 4.

Claim 21, dependent on claim 1, identifies the composition as comprising fragrance material at up to 4% by weight. See the specification at page 24, lines 1 to 6.

Claim 23 is directed to a method of inhibiting the generation of human body odor by the application of a composition according to claim 1 to the outer surface of the human body or apparel worn in close proximity thereto. See the specification at page 7, lines 1 to 13.

## **VI. GROUND OF REJECTION TO BE REVIEWED ON APPEAL**

The grounds of rejection to be reviewed on Appeal are the rejection of claims 1, 3, 4, 7, 8, 10-15, 18, 21 and 23 under 35 U.S.C. § 103(a) over Voss (U.S. Patent No. 3,507,796), as well as the rejection of claim 14 under the second paragraph of 35 U.S.C. § 112.



## VII. ARGUMENT

### a) Claims 1, 3, 4, 7, 8, 10-15, 18, 21 and 23 are not obvious over Voss

Formulating anti-microbial compositions for use on the outer surface of the human body (or on apparel worn in close proximity thereto), to provide both effective and long lasting deodorant protection can be difficult. The problem to be solved is not only to reduce microbial numbers on the body, but also to sustain such an anti-microbial effect (i.e., to maintain low microbial numbers) over time. Adding to the complexity of formulating such compositions, is the problem of obtaining compatibility of the anti-microbial agents and the vehicles in which they are contained. The Appellants have discovered that anti-microbial compositions comprising particular transition metal chelator salts not only provide compatibility with organic solvents and other components commonly found in compositions formulated for such deodorant uses but also, that that such transition metal chelator salts, formulated as solutions in organic solvents, give prolonged anti-microbial activity when used on the human body or apparel worn in close proximity thereto.

The chelator salt of the subject compositions comprises a transition metal chelator anion and an organic cation. The organic cation is characterized as comprising a protonated or quarternized amine (other than trisopropanolamine) containing 0 to 3 hydroxyl groups per N-substituent and at least one N-substituent comprising a C<sub>1</sub> to C<sub>10</sub> terminal hydrocarbyl group. As regards the organic cation, the limited hydroxyl group content and the requirement that cation possess at least one C<sub>1</sub>-C<sub>10</sub> hydrocarbyl group (defined in the specification as radicals containing solely carbon and hydrogen; see page 6, lines 18 to 19), specifies the cation as having a certain degree of hydrophobic character. Without wishing to be bound to theory, the Appellants have postulated that requiring the organic cation to have some hydrophobic character counter-balances the hydrophilic nature of the chelator salt anion and that

such salts, in addition to being compatible with a variety of organic solvents, promote compatibility with other components normally found in compositions formulated for deodorant uses.

Voss is directed to cleaning compositions, e.g., laundry detergents, which compositions contain:

(I) 1 to 50 parts by weight of a chelating agent selected from a relatively extensive group of materials, namely:

- (A) ethylenediaminetetraacetates;
- (B) methylene diphosphonates;
- (C) dibromobethlenediphosphonates;
- (D) dichloromethylenediphosphonates;
- (E) N-hydroxyethylethlenediaminetriaacetates;
- (F) diethylenetriaminepentaacetates;
- (G) homopolymeric polymaleates having a molecular weight of from about 500 to about 175,000;
- (H) 1,2-diaminocyclohexane-N,N'-tetraacetates;
- (I) nitrilotriacetates;
- (J) tripolyphosphates; and
- (K) mixtures thereof;

(II) 0.1 to 5 parts by weight of organic compounds which form organic cations in aqueous solution, selected from:

- (A) amines;
  - (B) quaternary ammonium compounds;
  - (C) N-alkyl pyridinium halides;
  - (D) N-alkyl piperidines;
  - (E) N-alkyl alkylene diamines;
  - (F) sulfonium compounds;
  - (G) 1-alkyl-2-imino imidazolidines; and
  - (H) polyquaternary ammonium compounds;
- all as therein more particularly described, and mixtures thereof;

(III) from 0 to 50 parts by weight of an alkaline buffering salt in an amount sufficient to maintain the pH of the composition at from about 7 to about 11 under usage conditions in aqueous solutions; and

(IV) from 1 to about 30 parts by weight of a zwitterionic detergent as therein more particularly described.

Voss discloses that the cleaning compositions can also contain other compatible detergents in amounts of from about 1 to about 20 parts by weight and, at column 8, lines 22 to 41, lists a variety of amine oxide detergents that can be incorporated therein. The patent discloses that this combination of components provides effective antibacterial activity at low usage levels, and theorizes that the organic compound (II) increases the effectiveness of the attack on the cell walls of the bacteria by the zwitterionic detergent with which it is used:

It is postulated that the effect of the organic compounds which provide organic cations results from the effect of the cations in modifying the structure of the cell walls of gram negative bacteria to permit the zwitterionic detergent, as hereinafter described, to penetrate to the cytoplasmic membrane. Although the other components of the compositions aid in the modification of the cell walls they are relatively ineffective without an organic cation present. See column 5, lines 2 to 9.<sup>1</sup>

There is nothing in Voss that discloses or suggests the use of solutions in organic solvents of the chelator salts described by the subject invention as a means of reducing malodor on the human body or apparel worn in close proximity thereto. The reasons of

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<sup>1</sup> Voss also discloses, as another type of composition encompassed thereby, a composition which can be used primarily as antibacterial agent:

These compositions are usually utilized by diluting them to a point where the detergency effectiveness is considerably diminished. These compositions contain from about 1% to about 40% chelating agent, from about 0.1% to about 10% organic compound capable of forming organic cations in aqueous solution, from about 5% to about 40% alkaline buffering salt, and from about 1% to about 20% zwitterionic detergent. The solutions which are prepared using the above compositions will ordinarily contain from about 5 p.p.m. to about 200 p.p.m. chelating agent, from about 0.5 p.p.m. to about 50 p.p.m. organic cation, from about 20 p.p.m. to about 200 p.p.m. alkaline buffering salt, and from about 5 p.p.m. to about 100 p.p.m. zwitterionic detergent. See column 10, lines 47 to 59.

In Example IX, Voss discloses a mouthwash composition which contains glycerine, ethyl alcohol, flavor and artificial sweeteners, Tween 80, disodium dihydrogen ethylene diamine tetra acetate, 3-[N,N-dimethyl-N-middle-cut-coconut-alkylmonio]-hydroxypropane -sulfonate, cetylpyridium chloride, color and in excess of 70 weight percent water.

record for the rejection over Voss rely on the erroneous argument that the amine oxide component of compositions therein disclosed is an organic solvent for the chelator:

...Voss does teach that his composition can include additional components including 1-30% amine oxide. See claims. It is well known in the art that amine oxides can function as solvents. See US 4,145,532. It would have been obvious for Voss to include amine oxide in the composition. Voss would have been motivated to do this since Voss makes this suggestion. See the Office Action dated March 21, 2003, at page 2, paragraph 2.

Applicant argues that the amine oxide is not an organic solvent and therefore the rejection should be withdrawn. Examiner disagrees with Applicant. Examiner argues particularly in a claim to a composition a statement regarding the purpose or function of a chemical component is not patentable. The fact is that Voss discloses an amine oxide; and since Voss' amine oxide is organic in nature, Examiner concludes that the organic amine oxide is the organic solvent. In a claim to a composition it is irrelevant as to whether the organic component is claimed is as a solvent or something other than a solvent. See the Office Action dated April 4, 20, 2004, at page 2, paragraph 1.

Amine oxides of the type disclosed by Voss are solids at room temperature, with dimethyldodecylamine oxide (the lowest molecular weight oxide of those listed at column 8, lines 24 to 40), having a melting point of about 132-133°C. The amine oxides dissolve in the large quantities of water in which the Voss detergent compositions are used. US 4,145,532 ("Franks et al."), referenced in the March 21, 2003 Office Action, is directed to a process for making precipitated cellulose. While Franks et al. discloses "dissolving cellulose in a tertiary amide oxide solvent", this solubilization of cellulose takes place, under vacuum, at elevated temperatures that, for the most part, range from 65 to 120°C, in an aqueous solution of an amine that is generally a cyclic amine<sup>2</sup>. Thus, the conditions described by Franks et al. wherein an aqueous amine solution is used to solubilize cellulose, are very different than the conditions under which the detergents of Voss are used and prepared. To argue that Franks et al. provides a basis for believing that the amine oxides of Voss function as

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<sup>2</sup> The patent also reports being able to dissolve cellulose with aqueous triethylamine oxide (27-29% water) by adding 35% aqueous hydrogen peroxide to a mixture of triethyl amine, methanol and an inorganic catalyst and removing the methanol and part of the water under vacuum at a temperature of 60-65°C.

solvents for the chelator salt is a tortured interpretation that ignores the true teaching of not only this patent, but that of Voss as well.

One skilled in the art reading Voss would not equate the amine oxides therein disclosed with an "organic solvent". Rather than functioning as solvents, the amine oxides of Voss are additional detergents that are themselves solubilized under the conditions of aqueous use described therein. In short, the amine oxide of Voss, is compositionally and functionally different from the organic solvent of the subject claims. Thus, it is respectfully submitted that Voss does not disclose or suggest the use of compositions for use on the outer surface of the human body or on apparel worn in close proximity thereto, i.e., deodorants, comprising a solution in an organic solvent of chelator comprising a transition metal chelator anion and an organic cation as described by the subject claims.

Further, there is nothing in Voss that discloses or suggests the effectiveness of the subject chelator salts to control body malodor on the skin (or apparel in close proximity thereto), when the salt is dissolved in an organic solvent based system. Additionally, while Voss discloses a great many chelators, there is nothing in the citation that motivates the selection of a salt of a transition metal chelator anion and a cation specified by the instant claims (i.e., a protonated or quaternized amine, other than triisopropanolamine, containing 0 to 3 hydroxyl groups per N-substituent and at least one N-substituent comprising a C<sub>1</sub> to C<sub>10</sub> hydrocarbyl group) as a solution in an organic solvent to provide the benefits of the subject invention.

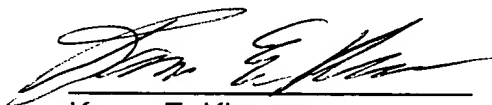
Accordingly, it is submitted that Voss does not disclose or suggest the anti-microbial compositions of the subject claims.

b). Claim 14 is not indefinite under 35 U.S.C. § 112 second paragraph.

Claim 14 (which requires that the ratio of other liquid components to water is greater than 65:35 by weight) has been rejected for failing to define the phrase "other liquid components". Applicants submit that the meaning of the term "other liquid components" is clear when the claim is read in the context of claim 13, from which it depends. Claim 13 describes a composition in which less than 50% by weight of water is present. Claim 13 depends from claim 1, which requires the presence of organic solvent. Thus, claim 14 describes a composition that comprises water and additional liquid components other than water (e.g. organic solvent), and the ratio of the liquid components other than water to water is greater than 65:35 by weight.

In view of the foregoing comments, Appellants request the Board of Patent Appeals and Interferences to reverse the Examiner's rejections.

Respectfully submitted,



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Registration No. 31,070  
Attorney for Appellant(s)

KEK/sa  
201-894-2332

## **VIII. CLAIMS APPENDIX**

### **Claims on Appeal**

Claim 1: An anti-microbial composition for use on the outer surface of the human body or on apparel worn in close proximity thereto comprising a carrier material and a salt of a transition metal chelator comprising a solution in an organic solvent of a transition metal chelator anion and an organic cation, wherein the cation comprises a protonated or quaternised amine, other than triisopropanolamine, containing 0 to 3 hydroxyl groups per N-substituent and at least one N-substituent comprising a C<sub>1</sub>-C<sub>10</sub> terminal hydrocarbyl group.

Claim 3: An anti-microbial composition according to claim 1, that is a deodorant composition for use on the human body or in close proximity thereto.

Claim 4: An anti-microbial composition according to claim 1, wherein the cation of the chelator salt is a protonated amine.

Claim 7: An anti-microbial composition according to claim 1, wherein the organic cation is present at a level sufficient to lead to an aqueous solution of the chelator salt having a pH of between 6 and 8 (at a molar concentration of chelator salt equal to that present in the composition).

Claim 8: An anti-microbial composition according to claim 1, wherein the anion of the transition metal chelator salt has affinity for iron (III).

Claim 10: An anti-microbial composition according to claim 1, wherein the transition metal chelator salt is a polyaminocarboxylic acid salt.

Claim 11: An anti-microbial composition according to claim 1, wherein the anion of the transition metal chelator salt has an acid form comprising at least five acid groups.

Claim 12: An anti-microbial composition according to claim 10, wherein the transition metal chelator salt is a diethylenetriaminepentaacetic acid salt.

Claim 13: An anti-microbial composition according to claim 1, wherein less than 50% by weight of water is present in the composition, excluding any volatile propellant that may be present.

Claim 14: An anti-microbial composition according to claim 13, wherein the ratio of other liquid components to water is greater than 65:35 by weight.

Claim 15: An anti-microbial composition according to claim 1, wherein the chelator salt is present at a concentration of 0.01% to 10% by weight, excluding any volatile propellant present.

Claim 18: An anti-microbial composition according to claim 1, comprising an additional anti-microbial agent.

Claim 21: An anti-microbial composition according to claim 1, comprising fragrance material at up to 4% by weight of the composition.

Claim 23: A cosmetic method of inhibiting the generation of human body odour, said method comprising the application to the outer surface of the human body or to apparel worn in close proximity thereto of an anti-microbial composition according to claim 1.



**IX. EVIDENCE APPENDIX**

**(NONE)**

**X. RELATED PROCEEDINGS APPENDIX**

Attached is the Order of United States District Court for the Northern District of California, staying that litigation pending arbitration.



IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF CALIFORNIA

CONCAT LP and CHELATOR, LLC,

No. C 04-1396 SI

Plaintiffs,

v.

UNILEVER, PLC, UNILEVER N.V., UNILEVER  
U.K. CENTRAL RESOURCES LTD.,  
UNILEVER UNITED STATES, INC.,  
and CONOPCO, INC.,

**ORDER GRANTING DEFENDANTS'  
MOTION TO STAY PENDING  
ARBITRATION, DENYING  
DEFENDANTS' MOTION TO DISMISS,  
AND GRANTING PLAINTIFFS' MOTION  
TO DISQUALIFY DEFENDANTS'  
COUNSEL**

Defendants.

On July 2, 2004, this Court heard argument on the following motions: defendants' motion to stay this litigation pending arbitration or, in the alternative, to dismiss the complaint on grounds of forum non conveniens, lack of in personam jurisdiction, and/or failure to join indispensable parties; and plaintiff's motion to disqualify defendants' counsel. Having carefully considered the argument of counsel and the papers submitted, the Court hereby GRANTS defendants' motion to stay the action pending arbitration; DENIES defendants' motion in the alternative to dismiss; and GRANTS plaintiffs' motion to disqualify counsel.

**BACKGROUND**

The dispute in this case is about intellectual property rights concerning a group of chemical compounds and methods of using those compounds in the formulation of deodorants. The compounds in question are chelators. Chelators have the active property of combining with metal ions to form further compounds, known as chelates. Due to their metal-binding properties, chelators tend to inhibit chemical reactions. NIH Unified

1 MedicalLanguage System, U.S. National Medical Library, <<http://ghr.nlm.nih.gov/ghr/glossary/chelator>> (last  
2 visited July 1, 2004).

3 Plaintiff Concat LP is a California Limited Partnership whose partners are members of the Winchell  
4 family. Compl. at ¶ 1; Declaration of Dr. H.S. Winchell, ¶ 2. During most of the period covered by this  
5 dispute, the managing partner was Dr. H.S. Winchell. Winchell Decl. at ¶¶ 1-2. The current managing partner  
6 is a corporation owned by Dr. Winchell's children. *Id.* at ¶ 2. Concat's business includes the design and  
7 development of chelators and their applications. Compl. at ¶ 16. Between 1981 and 2001, Concat supported  
8 all research and development at Israel Resources Corporation, Ltd. ("IRC"), a private company organized  
9 under the law of Israel. IRC assigned all intellectual property rights arising from this research to Concat.  
10 Compl. at ¶ 3; Winchell Decl. at ¶ 3. In June, 1996, Concat filed an international patent application covering  
11 a number of inventions, including methods of using chelators to prevent bacterial and fungal growth on human  
12 body surfaces. Compl. at ¶ 18. On September 10, 2001, Concat assigned all of its then current intellectual  
13 property rights to Chelator, LLC, a Delaware limited liability company with its principal place of business in  
14 Concord, California. In return, Concat received all Chelator stock issued at that time. *Id.* at ¶¶ 2, 4. IRC then  
15 sold all of its assets, including intellectual property rights, to Complexx R&D services, a private company  
16 organized in Israel and wholly owned by Chelator. *Id.* at ¶ 5.

17 Defendants Conopco, Unilever UK and Unilever US are subsidiaries of Unilever PLC, and Unilever  
18 N.V., which are organized under the laws of the U.K. and the Netherlands, respectively, but which operate  
19 as a single company and have a single board of directors. Compl. at ¶¶ 7-12. Unilever is a major international  
20 producer of consumer goods, including toiletries. *Id.* In August, 1996, Dr. Winchell of Concat and the then  
21 president of IRC, Dr. Haim Zaklad, contacted Unilever regarding a possible joint development of Concat's  
22 compounds for use in deodorants. Compl. at ¶ 19. On December 12, 1996, a Letter of Understanding was  
23 executed between IRC and Unilever U.K. Central Resources Ltd., acting on behalf of its Unilever Research  
24 Port Sunlight Laboratory ("Port Sunlight"), located in Wirral, U.K. *Id.*; Decl. of Paul W. Vapnek in Supp. of  
25 Pls.' Mot. to Stay or Dismiss, Ex. 5. The 1996 Letter of Understanding was followed by a "Secrecy  
26 Agreement," executed in June, 1997, between IRC and the Unilever Research and Engineering Environmental  
27 Safety Laboratory ("ESL"), later renamed the Unilever Research SEAC Toxicology Unit ("SEAC"), located  
28

1 in Bedford, U.K. Compl. at ¶ 22; Decl. of Jason Lief in Supp. of Defs.' Mot. to Stay or Dismiss, Ex. B. The  
2 scope of the 1997 Secrecy Agreement, which includes an arbitration clause, is a matter in dispute. See Lief  
3 Decl., Ex. B at ¶ 5. Pursuant to the 1996 Letter of Understanding, IRC provided Unilever with samples of two  
4 compounds for evaluation, the more important of which was designated 3MP/IRC011 ("3MP") or Deofix.  
5 Compl. at ¶¶ 19-20. Testing and evaluation of the 3MP compound continued for the next several years, during  
6 which period the parties conducted extensive discussions and exchanged scientific data. Id. at ¶¶ 21-44.  
7 Beginning in May, 1998, Drs. Winchell and Zaklad met and corresponded regularly with Drs. Michael Lowry  
8 and Stephen Makin of the Port Sunlight Deodorant Research Group. Compl. at ¶¶ 24-44. On February 1,  
9 1999, the IRC and Port Sunlight entered a further "Confidentiality Agreement." Id. at ¶ 28; Vapnek Decl. in  
10 Supp. of Pls.' Mot. to Stay or Dismiss, Ex. 11.

11 Beginning in January, 2001, Unilever filed a series of U.S. patent applications under the titles:  
12 "Deodorant Products," "Anti-Microbial Compositions," and "Anti-Microbial Antiperspirant Products," all  
13 naming Dr. Makin as an inventor. Compl. at ¶¶ 47-52. The "Deodorant Products" application issued in  
14 January, 2003, as U.S. Patent Number 6,503,490 B2 ("the '490 patent"). Id. at ¶ 47. In April, 2002,  
15 Unilever announced a "breakthrough" deodorant technology employing a chemical that inhibits the growth of  
16 bacteria by binding the nutrient iron in sweat. Id. at ¶ 45. In September, 2002, Drs. Makin and Lowry  
17 presented a scientific conference paper entitled "Iron Sequestration on Skin: A New Route to Improved  
18 Deodorancy." Id. at ¶ 46. Plaintiffs allege that these patent applications and publications are based on data  
19 that Unilever obtained from IRS/Concat. Id. at ¶¶ 47-50. Plaintiffs further allege that Unilever has marketed  
20 deodorants containing plaintiffs' intellectual property. Id. at ¶ 54; Winchell Decl. at ¶ 17.

21 On June 4, 2003, Chelator was awarded U.S. Patent No. 6,583,182 B1 ("the '181 patent"), which  
22 claims the use of chelating agents to inhibit bacterial and fungal growth. Winchell Decl. at ¶ 16. The inventors  
23 of the '181 patent include Drs. Winchell and Zaklad. Id.

24 In late June, 2003, Dr. Winchell and his wife approached W. Scott Thomas, Esq. of the Personal Law  
25 Practice Group of the San Francisco office of Morgan, Lewis & Bockius LLP ("Morgan, Lewis") for assistance  
26 with planning his estate. Winchell Decl. at ¶ 4; Decl. of W. Scott Thomas in Supp. of Defs.' Opp'n to Pls.'  
27 Mot. to Disqualify at ¶ 2. Morgan, Lewis are counsel to Unilever in this dispute. It is undisputed that the  
28

1 Winchells provided Thomas with a list of their and their children's business interests, including their partnership  
2 interests in Concat, and Concat's interests in Chelator. Winchell Decl. at ¶ 5; Thomas Decl. at ¶¶ 2-3.  
3 Thomas used this information to run a conflict of interest search in Morgan, Lewis's client database. Although  
4 Unilever was already an established client of Morgan, Lewis, the search produced a negative result, since no  
5 dispute between Unilever and Concat/Chelator existed at that time. Winchell Decl. at ¶ 5; Thomas Decl. at  
6 ¶ 5. On July 2, 2003, Thomas sent the Winchells a client-attorney engagement letter, which they executed on  
7 July 22 and 23. Winchell Decl., Ex. 1. The engagement letter included the following disclaimer:

8 Morgan, Lewis & Bockius is a large law firm, and we represent many other companies and  
9 individuals. It is possible that some of our present or future clients will have disputes or other  
10 dealings with you during the time that we represent you. Accordingly, as a condition of our  
11 undertaking of this matter for you, you agree that Morgan, Lewis & Bockius may continue to  
12 represent, or may undertake in the future to represent, existing or new clients in any matter,  
13 including litigation, that is not substantially related to our work for you, even if the interests of  
14 such clients in those other matters are directly adverse to you. Further, you agree in light of  
15 its general consent to such unrelated conflicting representations, Morgan, Lewis & Bockius will  
16 not be required to notify you of each such representation as it arises. We agree, however, that  
17 your prospective consent to conflicting representations contained in the preceding sentence  
18 shall not apply in any instance where, as the result of our representation of you, we have  
19 obtained confidential information of a non-public nature that, if known to another client of ours,  
20 could be used to your material disadvantage in a matter in which we represent, or in the future  
21 are asked to undertake representation of, that client.

22 Id. at p. 2. Also on July 2, 2003, Dr. Winchell sent Thomas by email a summary of his business interests,  
23 which included an initial description of the intellectual property of Concat and Chelator. Winchell Decl. at ¶  
24 7; Thomas Decl. at ¶ 3. This disclosure was preceded by the following caveat in bold letters:

25 **THE FOLLOWING INFORMATION IS CONFIDENTIAL AND PROPRIETARY.**  
26 **CONCAT/CHELATOR MAY BE IRREPARABLY HARMED SHOULD THE**  
27 **STATUS OF DEVELOPMENT AND TESTING OF OUR AGENTS BE**  
28 **DISCLOSED TO THOSE DEVELOPING COMPETING TECHNOLOGY, OR**  
**THOSE CURRENTLY EVALUATING, OR IN THE FUTURE MAY CONSIDER**  
**EVALUATING (sic), OUR AGENTS.**

Winchell Decl., Ex. 2. Dr. Winchell states that, as the estate planning process developed, he provided detailed  
confidential information about Concat/Chelator's intellectual property and its applications to an intellectual  
property appraiser recommended by Thomas and directly to Thomas himself. Winchell Decl. at ¶ 8. He also  
states that he gave Thomas detailed information concerning the business structure, finances and assets of  
Concat Chelator. Id. at ¶ 11. He maintains that these disclosures included matters directly relevant to the  
current dispute. Id. at ¶ 13. Thomas disagrees with this characterization of the information disclosed, which

1 he describes as "quite general and sketchy." Thomas Decl. at ¶ 8. Thomas further states that his work for Dr.  
2 Winchell concerned personal financial matters only, that he has no scientific education or experience that would  
3 enable him to evaluate Concat/Chelator's intellectual property or its potential commercial applications, and that  
4 he has had no discussion on this subject with any member of Morgan, Lewis's New York office, which is  
5 representing Unilever in the intellectual property dispute. Id. at ¶¶ 6-7, 9.

6 On August 12, 2003, Chelator's then attorney, Gerald P. Dodson, Esq. of Morrison and Foerster,  
7 wrote to Unilever regarding Unilever's allegedly false patents and alleged misappropriation of Concat/Chelator's  
8 technology. Winchell Decl., Ex. 3. The letter requested a meeting to discuss correction of the inventorship of  
9 Unilever's '490 patent in favor of Drs. Winchell and Zaklad, Concat/Chelator's claim to ownership of the  
10 technology, and a possible licensing agreement. Id. On October 30, 2003, Unilever notified Dodson that it  
11 proposed to hold the meeting at the London offices of Morgan, Lewis, by whom Unilever would be  
12 represented. Winchell Decl. at ¶ 20. Dodson was at that time involved in discussions with Morgan, Lewis  
13 concerning the possibility of his joining the firm as a partner. Id. Believing that these discussions created a  
14 potential conflict of interest, Dodson immediately withdrew from representation of Concat/Chelator. Id. The  
15 proposed meeting was cancelled due to Concat/Chelator's lack of counsel. Id. Dodson's negotiations with  
16 Morgan, Lewis did not lead to a partnership offer and ceased as of November, 2003. Decl. of Eric Kraeutler  
17 in Supp. of Defs.' Opp'n to Pls.' Mot. to Disqualify at ¶¶ 5-6.

18 In a letter dated November 24, 2003, plaintiffs' new attorney, Paul W. Vapnek, Esq. of Townsend and  
19 Townsend and Crew LLP, informed Morgan, Lewis that Dr. Winchell was a Morgan, Lewis client. Vapnek  
20 Decl. in Supp. of Pls.' Mot. to Disqualify, Ex. 7. Vapnek expressed the view that this created a conflict, which  
21 "categorically precludes Morgan Lewis from continuing its representation of Unilever adverse to Dr. Winchell  
22 and his company." Id. In a reply dated December 2, 2003, the Chairman of Morgan, Lewis's Standing  
23 Committee on Conflicts and Professional Responsibility rejected this view on the basis of the conflict waiver  
24 included in the client-attorney engagement letter signed by Dr. Winchell and his wife. Id., Ex. 8. Morgan,  
25 Lewis has stated that, immediately on receipt of Vapnek's letter, they established a de facto isolation screen  
26 between Thomas's office and the New York attorneys representing Unilever, and that this was subsequently  
27  
28

1 formalized with file access prohibitions and contact prohibitions. Defs.' Opp'n Br. at 10:112-21; Thomas Decl.  
2 at ¶ 9; Declaration of Thomas M. Kittredge at ¶ 4.

3 On April 9, 2004, plaintiffs filed a complaint with this court asking for correction of the '490 patent to  
4 recognize Drs. Winchell and Zaklad as the named inventors of the compounds or, in the alternative, invalidation  
5 of the patent. Plaintiffs also seek a declaratory judgment regarding ownership of the subject matter of the '490  
6 patent and the associated patent applications, and allege causes of action for fraud and unfair competition in  
7 violation of California Business and Professions Code §§ 17200 and 17500. On May 11, 2004, defendants  
8 filed a request for arbitration with the London Court of International Arbitration ("LCIA") pursuant to the  
9 arbitration clause contained in the June 1997 Secrecy Agreement. Now before the Court are defendants'  
10 motion to stay the suit pending that arbitration or, in the alternative, to dismiss on grounds of forum non  
11 conveniens, lack of in personam jurisdiction, and/or failure to join indispensable parties; and plaintiffs' motion  
12 to disqualify Morgan, Lewis as defendants' counsel.

## 13 DISCUSSION

### 14 I. Defendants' motion to stay or dismiss

#### 15 A. Motion to stay pending arbitration

##### 16 1. Legal standard

17 Section 4 of the Federal Arbitration Act ("FAA") permits "a party aggrieved by the alleged failure,  
18 neglect, or refusal of another to arbitrate under a written agreement for arbitration [to] petition any United  
19 States District Court . . . for an order directing that . . . arbitration proceed in the manner provided for in [the  
20 arbitration] agreement." 9 U.S.C. § 4. Upon a showing that a party has failed to comply with a valid  
21 arbitration agreement, the court must issue an order compelling arbitration. Cohen v. Wedbush, Noble Cooke,  
22 Inc., 841 F.2d 282, 285 (9th Cir. 1988).

23 The Supreme Court has stated that the FAA espouses a general policy favoring arbitration agreements.  
24 Moses H. Cone Memorial Hosp. v. Mercury Constr. Corp., 460 U.S. 1, 24-25, 103 S. Ct. 927, 941 (1983).  
25 Federal courts are required to rigorously enforce an agreement to arbitrate. Id. However, the strong  
26 presumption in favor of arbitration "does not confer a right to compel arbitration of any dispute at any time."  
27  
28

1 Volt Info. Sciences, Inc. v. Bd. of Trustees of Leland Stanford Junior Univ., 489 U.S. 468, 474, 109 S. Ct.  
2 1248, 1253 (1989). This is so because "arbitration is a matter of contract and a party cannot be required to  
3 submit to arbitration any dispute which he has not agreed so to submit." United Steelworkers v. Warrior &  
4 Gulf Navigation Co., 363 U.S. 574, 582, 80 S. Ct. 1347, 1353 (1960); see also McDonnell Douglas Finance  
5 Corp. v. Pennsylvania Power & Light Co., 858 F.2d 825, 831 (2nd Cir. 1988) (stating that the purpose of  
6 the FAA is to "make arbitration agreements as enforceable as other contracts, but not more so") (citation  
7 omitted). In determining whether to issue an order compelling arbitration, the court may not review the merits  
8 of the dispute, but must limit its inquiry into (1) whether the contract containing the arbitration agreement  
9 evidences a transaction involving interstate commerce, (2) whether there exists a valid agreement to arbitrate,  
10 and (3) whether the dispute(s) fall within the scope of the agreement to arbitrate. Republic of Nicaragua v.  
11 Standard Fruit Co., 937 F.2d 469, 477-478 (9th Cir. 1991), cert. denied, 503 U.S. 919, 112 S. Ct. 1294  
12 (1992). If the answer to each of these queries is affirmative, then the court must order the parties to arbitration  
13 in accordance with the terms of their agreement. 9 U.S.C. § 4.

14 "When considering a motion to compel arbitration, a court applies a standard similar to the summary  
15 judgment standard of Fed. R. Civ. P. 56." McCarthy v. Providential Corp., 1994 U.S. Dist. LEXIS 10122  
16 at \*6 (N.D. Cal. 1994). In considering a motion to compel arbitration which is opposed on the ground that  
17 no agreement to arbitrate was made, a district should give to the opposing party the benefit of all reasonable  
18 doubts and inferences that may arise Id. at \*6-7 Only when there is no genuine issue of material fact  
19 concerning the formation of an arbitration agreement should a court decide as a matter of law that the parties  
20 did or did not enter into such an agreement. Three Valleys Mun. Water Dist. v. E.F. Hutton & Co., 925 F.2d  
21 1136, 1141 (9th Cir. 1991).

22 On the other hand, "[t]he standard for demonstrating arbitrability is not a high one; in fact, a district  
23 court has little discretion to deny an arbitration motion, since the [Federal Arbitration] Act is phrased in  
24 mandatory terms." Standard Fruit, 937 F.2d at 475; cf. Dean Witter Reynolds, Inc. v. Byrd, 470 U.S. 213,  
25 218, 105 S. Ct. 1238, 1241 (1985) (holding that the Act "leaves no place for the exercise of discretion by a  
26 district court"). Moreover, the federal policy favoring arbitration "applies with especial force in the field of  
27 international commerce." Mitsubishi Motors Corp. v. Soler Chrysler-Plymouth, Inc., 473 U.S. 614, 631, 105  
28



1 S. Ct. 3346, 3356 (1985). Defendants are thus correct in their assertion that "the clear weight of authority  
2 holds that the most minimal indication of the parties' intent to arbitrate must be given full effect, especially in  
3 international disputes." Standard Fruit, 937 F.2d at 478. Moreover, the scope of an arbitration clause must  
4 be interpreted liberally and "as a matter of federal law, any doubts concerning the scope of arbitrable disputes  
5 should be resolved in favor of arbitration." Moses H. Cone, 460 U.S. at 24, 103 S. Ct. at 941; Three Valleys,  
6 925 F.2d at 1144; French v. Merrill Lynch, 784 F.2d 902, 908 (9th Cir. 1986). Hence, "[a]n order to  
7 arbitrate ... should not be denied unless it may be said with positive assurance that the arbitration clause is not  
8 susceptible of an interpretation that covers the asserted dispute. Doubts should be resolved in favor of  
9 coverage." United Steelworkers, 363 U.S. at 582-583, 80 S. Ct. at 1353 (1960).<sup>1</sup>

10  
11 **2. The subject matter of this dispute is within the scope of the arbitration clause**  
12 **of the 1997 Secrecy Agreement.**

13 **(a) The transactions covered by the 1997 Secrecy Agreement are not**  
14 **distinct from the matter in dispute.**

15 Defendants have asked this Court to enforce the arbitration clause of the 1997 Secrecy Agreement  
16 between IRC and ESL/SEAC, which reads as follows:

17 5) Any dispute arising out of or in connection with this Agreement which is not settled by  
18 the parties amicably shall be referred to and finally resolved by arbitration under the  
19 Rules of the London Court of International Arbitration, which Rules are deemed to be  
20 incorporated by reference into this Clause. The place of arbitration shall be London  
21 and the language, English. . .

22 6) This Agreement shall be governed by the Law of England.

23 Lief Decl., Ex. B. Plaintiffs concede the existence of this agreement and the federal policy favoring arbitration.  
24 Dean Witter Reynolds, 470 U.S. at 218, 105 S. Ct. at 1241; see Pls.' Opp'n Br. at 7:6-24. However, they  
25 maintain that the 1997 agreement does not apply to the subject matter of this dispute. Pls.' Opp'n Br. at 8:1-  
26 9:11. In support of their position, plaintiffs point to the first clause of the Secrecy Agreement, which reads:

27 1) In consideration of the Disclosing Party disclosing to the Recipients information  
28 concerning:-

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<sup>1</sup>It should perhaps be noted that, in its original context, this statement applied specifically to an  
arbitration clause of a collective bargaining agreement governed by § 301 of the Labor Management Relations  
Act, not the Federal Arbitration Act. However, the Supreme Court's citation of the statement in Mitsubishi  
Motors, 473 U.S. at 626, 105 S. Ct. at 3353-54, is indicative of a wider application.

**Deodorant active 3MP and/or HD2MP**

(hereinafter referred to as "the Information") for health, safety and environmental evaluation purposes, the Recipients undertake for a period of five (5) years from the date of disclosure to treat the Information as strictly confidential and therefore not to disclose it to any third party (except reliable employees, under secrecy obligations, permanently employed in Unilever Research and Engineering and identified by the Head of the Environmental Safety laboratory as essential participants in the health, safety and environmental evaluation process) and to make no commercial use of it without the express consent of the Disclosing Party.

Lief Decl., Ex. B; cf. Pls.' Opp'n Br. at 8:14-21. Plaintiffs maintain that the scope of this agreement was limited to IRC's disclosure to one specific Unilever laboratory, ESL/SEAC, for the "health, safety and environmental evaluation purposes" to which the text refers. Pls.' Opp'n Br. at 8:14-9:11. The agreement says nothing about the patents that are the focus of this dispute. See id. In oral argument, plaintiffs clarified their position by explaining that they do not allege misuse of the data they submitted to ESL/SEAC. On this basis, plaintiffs assert that the 1997 Secrecy agreement between IRC and ESL/SEAC does not cover the subject matter of this dispute. See id. They maintain that the patent infringement and other claims submitted to this Court are all based on alleged misappropriation of other information that IRC disclosed to the Port Sunlight laboratory under the terms of the December, 1996 Letter of Understanding and the February, 1999 Confidentiality Agreement. See Vapnek Decl. in Supp. of Pls.' Opp'n to Defs.' Mot. to Stay or Dismiss, Ex. 5. Neither of these agreements contains an arbitration clause. See id. The 1999 Confidentiality Agreement contains a choice of law provision subjecting the agreement to the laws of Israel and the parties to the non-exclusive jurisdiction of the

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Israeli courts. Id.<sup>2</sup> Dr. Stephen Makin, who is named as an inventor of the disputed patents, was employed by Port Sunlight and had extensive dealings with Drs. Winchell and Zaklad of IRC, beginning on or about May 7, 1998. See Compl. at ¶ 24.

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<sup>2</sup> A further Confidentiality Agreement, between IRC and Unilever U.S., was executed on June 10, 1999. See Vapnek Decl. in Supp. of Opp'n, Ex. 11. This agreement parallels the February 1999 agreement between IRC and Port Sunlight in all respects except for its choice of law provision, which specifies New Jersey law and non-exclusive jurisdiction of the New Jersey courts. The purpose of the agreement is obscure and counsel were not able to explain it during oral argument.

1 In support of their position that the 1997 Secrecy Agreement refers to a transaction that was entirely  
2 separate from the disclosures giving rise to this dispute, plaintiffs point to correspondence between ESL/SEAC  
3 and Drs. Winchell and Zaklad. In a letter covering the 1997 Secrecy Agreement and dated June 4, 1997, the  
4 head of ESL, Dr. H.D. Clark, refers to "the care we take over the receipt of confidential information from non-  
5 Unilever Companies." Vapnek Decl. in Supp. of Opp'n, Ex. 10.<sup>3</sup> In oral argument, plaintiffs argued that this  
6 statement supports of their position that the information they disclosed to ESL/SEAC was quite separate from  
7 the information they shared with Port Sunlight. More telling, perhaps, is a letter of February 23, 1999, in which  
8 Mary Snow of SEAC requests further information regarding the compounds submitted by IRC. Vapnek Decl.  
9 in Supp. of Opp'n, Ex. 18. In oral argument, plaintiffs drew attention to the following statement by Snow:

10 I recognize that this new request will most likely involve you releasing more detailed information  
11 than you had previously provided to my URPS [Port Sunlight] colleagues thus (sic) I would  
12 like to reaffirm the statement I made in my previous letter. Detailed manufacture and  
13 processing information and safety data sent to us is not passed on to Research or the operating  
14 companies. Such information received will only ever be used to help us assess the safety in use  
15 of 3MP.

16 Id. at p. 2. Again, plaintiffs submit that this statement confirms their position that the information they submitted  
17 to ESL/SEAC is not at issue in this dispute.

18 In oral argument, defendants maintained that the 1999 Confidentiality Agreement is "not a novation"  
19 of the 1997 Secrecy Agreement. In their opinion, the 1999 agreement covered commercial development of  
20 the data submitted under the 1997 agreement, which referred to scientific research based on the same data.  
21 Defendants therefore argued that the 1999 Confidentiality Agreement is conditioned by the 1997 Secrecy  
22 Agreement and characterized the distinction of content proposed by plaintiffs as merely "artful pleading." On  
23 this basis, defendants argued that the arbitration provision of the 1997 agreement also controls the 1999  
24 agreement and, hence, applies to the subject of this dispute.

25 Plaintiffs' construction of the historical and legal relationship of these agreements is not without merit,  
26 but it has several weaknesses. In the first place, their complaint does not make it clear that the 1997 Secrecy  
27 Agreement is unrelated to this dispute; rather, it appears to imply the contrary. See Compl. at ¶¶ 21-23.  
28 Secondly, plaintiffs themselves show, with supporting evidence, that Unilever and its subsidiaries are, in effect,

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<sup>3</sup> Confusingly, Dr. Clark refers to the Secrecy Agreement as a "Confidentiality Agreement." However, there is no doubt that the 1997 Secrecy Agreement is the subject of the letter.

one homogenous entity and that, in consequence, communication between the member companies and operational units must always be assumed. Pls.' Opp'n Br. at 12:6-12; see Vapnek Decl. in Supp. of Opp'n, Ex. 22 at p. 47; id., Ex. 23. Finally, plaintiffs' reconstruction of events requires the Court to accept that all disclosures made by IRC to Port Sunlight prior to the Confidentiality Agreement of February 1, 1999, were governed solely by the December 12, 1996 Letter of Understanding. Plaintiffs have asserted that those disclosures began as early as January 1997 and that Drs. Winchell's and Zaklad's first meeting with Dr. Makin of Port Sunlight occurred on or about May 7, 1998. Compl. at ¶¶ 20, 24. The 1996 Letter of Understanding, which binds IRC for a ninety-day period only, is no more than a preliminary instrument, of very limited scope and duration. The terms of the letter are too sketchy to serve as a basis for any substantial disclosure of scientific data, yet plaintiffs indicate that they made significant disclosures to Port Sunlight during the period prior to February 1, 1999. See Compl. at ¶¶ 25-27. On balance, therefore, the record tends to support defendants' contention that the 1997 Secrecy Agreement is an integral part of the series of transactions giving rise to this dispute.

**(b) The language of the arbitration clause is inclusive.**

On the basis of their position regarding the scope of the 1997 Secrecy Agreement, plaintiffs have asked the LCIA to dismiss the arbitration for lack of jurisdiction. See Vapnek Decl. in Supp. of Opp'n, Ex. 24 at ¶ 11. The LCIA will make its own determination as to its jurisdiction over this dispute. Under Ninth Circuit law, however, this Court disagrees with plaintiffs' narrow reading of the arbitration clause. In considering the scope of an arbitration clause's application, U.S. courts have recognized a distinction between "broad" and "narrow" language. Mediterranean Enterprises, Inc. v. Sangyong Corp., 708 F.2d 1458, 1463-64 (9th Cir. 1983); cf. Tracer Research v. National Environmental Servs., 42 F.3d 1292, 1295 (9th Cir. 1994); see also McDonnell Douglas, 858 F.2d at 832. The rule is that, where an arbitration clause applies to matters "arising under" the agreement, its scope is narrowly defined, but where it applies to matters "arising out of or relating to" the agreement, its application should be broadly construed. Mediterranean Enterprises, 708 F.2d at 1463-64. The arbitration provision at issue covers all disputes "arising out of or in connection with" the 1997 Secrecy Agreement. Lief Decl., Ex. B. Its scope is, therefore, broad. The Court finds that plaintiffs' claims

1 arise "in connection" with the 1997 agreement and are, therefore, subject to the arbitration clause contained  
2 therein unless and until the LCIA should decide otherwise.

3  
4  
5 (c) In the context of an international dispute, the issue of patent  
6 inventorship may be resolved by arbitration.

7 During oral argument, the Court posed the question whether the issue of patent inventorship is  
8 susceptible of resolution by arbitration. To this question, defendants answered, "Yes," but plaintiffs answered,  
9 "No." Neither party has addressed the question in its written submissions. The question appears to be one of  
10 first impression in this Circuit. The Court finds that the law on this subject has until recently been uncertain, but  
11 that, in the context of an international dispute, the affirmative answer is correct.

12 In Diematic Mfg. Corp. v. Packaging Indus., Inc., 381 F. Supp. 1057, 1061 (S.D.N.Y. 1974), the  
13 court, in considering a dispute that included the issue of inventorship, held that "the grave public interest in  
14 questions of patent validity and infringement renders them inappropriate for determination in arbitration  
15 proceedings." In reaching that decision, the court relied heavily on American Safety Equip. v. J.P. Maguire &  
16 Co., 391 F.2d 821 (2d Cir. 1968), where the court reached an analogous decision in the field of Antitrust law.  
17 However, in Mitsubishi Motors, the Supreme Court held that the American Safety ruling does not apply to  
18 international disputes, thereby effectively overruling Diematic. Mitsubishi Motors, 473 U.S. at 632-35, 105  
19 S. Ct. at 3356-3358 (1985); see Warner & Swasey Co. v. Salvagnini Transferica S.p.A., 633 F. Supp. 1209,  
20 1212 (W.D.N.Y. 1986). The Diematic decision, as stated, has also been superceded by federal statute:

21 A contract involving a patent or any right under a patent may contain a provision requiring  
22 arbitration of any dispute relating to patent validity or infringement arising under the contract.  
23 . . . Any such provision or agreement shall be valid, irrevocable, and enforceable, except for  
24 any grounds that exist at law or in equity for revocation of a contract.

25 35 U.S.C. § 294(a) 2004; see Warner & Swasey, 633 F. Supp. at 1212.

26 The Court's question raises the possibility that the specific issue of patent inventorship, as distinct from  
27 "patent validity or infringement," falls outside the contractual matters covered by this statute, in which case it  
28 may be a non-arbitrable issue under U.S. law. However, the Mitsubishi Motors decision has established a very  
strong presumption in favor of arbitration of international disputes, even where U.S. statutory claims are

1 implicated. 473 U.S. at 626-27 and 631, 105 S. Ct. at 3353-34 and 3356. In that case, the Supreme Court  
2 held that "the international legal order" requires national courts to "subordinate domestic notions of arbitrability  
3 to the international policy favoring commercial arbitration." Id., 473 U.S. at 638-39, 105 S. Ct. 3360.

4 In Miner Enters. v. Adidas AG, 1995 U.S. Dist. LEXIS 17822 (N.D. Ill. 1995), the court dismissed  
5 a complaint involving patent inventorship because it was subject to a transnational arbitration agreement. That  
6 court explicitly rejected plaintiffs' argument that U.S. patent law does not permit the issue of inventorship to be  
7 arbitrated, holding that there is no authority to support this restrictive reading of U.S.C. § 294(a). Id. at \*7-8.  
8 Similarly, in Danisco A/S v. Novo Nordisk A/S, 2003 U.S. Dist LEXIS 1842 (S.D.N.Y. 2003), the court  
9 granted a stay pending international arbitration of a patent dispute about inventorship of food enzymes. The  
10 plaintiffs in that case contended that the issue of inventorship was outside the scope of the arbitration agreement  
11 because it was "fundamentally different" from that of ownership. Id. at 9. The Danisco court rejected this  
12 contention. Id. at 10. These rulings are consistent with the Supreme Court's declared unwillingness "to subvert  
13 the spirit" of the United States' accession to the Convention on the Recognition and Enforcement of Foreign  
14 Arbitral Awards, codified at 9 U.S.C. §§ 201-208, "by recognizing subject-matter exceptions where Congress  
15 has not expressly directed the courts to do so." Mitsubishi Motors, 473 U.S. at 639, 105 S. Ct. at 3360.<sup>4</sup>

16 The great weight of authority thus favors the position that patent inventorship is an arbitrable issue in  
17 international disputes. Plaintiffs have not demonstrated that the 1997 agreement does not apply to the subject  
18 matter of this dispute. The broad language of the arbitration clause in that agreement indicates strongly that it  
19 does. On these grounds, and since doubts are to be resolved in favor of arbitration, defendants' motion to stay  
20 this matter pending arbitration must be GRANTED.

21  
22  
23 **B. Motion to dismiss on grounds of forum non conveniens**

24 **1. Legal standard**  
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28 <sup>4</sup> It is not necessary for this Court to reach the question whether the Miner Enters. and Danisco  
decisions would be correct if applied to non-international disputes

1        Forum non conveniens is a common law doctrine, articulated by the U.S. Supreme Court in 1947,  
2 allowing a court to decline to exercise its jurisdiction in cases where litigation in the forum would be seriously  
3 inconvenient for one of the parties and a more convenient forum is available elsewhere. Gulf Oil Corp. v.  
4 Gilbert, 330 U.S. 501, 504, 67 S.Ct. 839, 841 (1947). With regard to transfer of venue between federal  
5 courts, the Gulf Oil doctrine has been superseded by statute. 28 U.S.C. § 1404(a). However, it remains  
6 viable where the alternative forum is abroad. Piper Aircraft Co. v. Reyno, 454 U.S. 235, 102 S. Ct. 252  
7 (1981); cf. Quackenbush v. Allstate Ins. Co., 517 U.S. 706, 722, 116 S. Ct. 1712, 1723 (1996); American  
8 Dredging Co. v. Miller, 510 U.S. 443, 449, n. 2, 114 S. Ct. 981, 986 (1994); See Schwarzer, Tashima &  
9 Wagstaffe, Fed. Civ. Proc. Before Trial 4:314 (2001).

10        Dismissal under forum non conveniens requires that an alternative forum be available in the foreign  
11 country. Piper Aircraft, 454 U.S. at 254, 102 S. Ct. at 265. In addition, a court must balance a number of  
12 private and public interest factors. Ceramic Corp. of America v. Inka Maritime Corp., 1 F.3d 947, 949 (9th  
13 Cir. 1993). Plaintiff's choice of forum will ordinarily prevail, unless those factors strongly favor trial in the  
14 foreign country. Id. at 509. However, courts should disregard a plaintiff's forum choice where the suit is a  
15 result of forum-shopping. See Alltrade, Inc. v. Uniworld Products, Inc., 946 F.2d 622, 628 (9th Cir. 1991).  
16 The forum non conveniens determination ultimately lies in the court's discretion. Lueck v. Sundstrand Corp.,  
17 236 F.3d 1137, 1143 (9th Cir. 2001).

18  
19                2.        The doctrine of forum non conveniens does not justify dismissal because  
20 defendants, by the act of filing U.S. patent applications, have exposed  
21 themselves to the foreseeable possibility of litigation in U.S. courts and  
22 because the balance of interests does not overcome the presumption in favor  
23 of plaintiff's forum choice.

24        Defendants argue that, under Gulf Oil, the Court should exercise its discretion to dismiss this  
25 Complaint. Defs.' Br. in Supp. of Mot. to Stay or Dismiss at 15:12-16:24. In cases that concern competing  
26 foreign interests, agreements as to forum and choice of law will be upheld by the courts. Scherk v. Alberto-  
27 Culver Co., 417 U.S. 506, 518-119, 94 S. Ct. 2449, 2456-57 (1974); Standard Fruit, 937 F.2d at 478.  
28 Defendants argue that this principle applies because the transactions leading to this dispute were between an  
Israeli company, IRC, and a British one, IRC and Unilever, U.K. Defs.' Br. in Supp. of Mot. to Stay or

1 Dismiss at 16:17-18. They maintain that forcing them to litigate in California would be vexatious and  
2 oppressive, because "no Unilever defendant could reasonably have anticipated being hauled [sic] into court in  
3 this state." Id. 16:8-20 (citing to WorldWide Volkswagen Corp v. Woodson, 444 U.S. 286, 297- 298, 100  
4 S. Ct. 559, 567-68 (1980), where the Court rejected the theory that, because it was foreseeable that a car  
5 sold by a dealer would be driven to a state where the dealer did no business, the dealer could be sued in that  
6 state). However, plaintiffs have challenged a U.S. patent and several U.S. patent applications filed by and  
7 through Unilever, U.S. Compl. at ¶¶ 47-50. The possibility that Unilever might be called to account for those  
8 applications under U.S. law was not unforeseeable.

9 For this reason, the Court does not accept defendants' characterization of the dispute as between  
10 foreign interests only. The plaintiff companies are based in California and two of the defendant companies,  
11 Conopco and Unilever U.S., are incorporated in the United States. Compl. at ¶¶ 1-2, 11-12. On a motion  
12 to dismiss for forum non conveniens, the moving party has the burden and must make "a clear showing of facts  
13 which establish such oppression and vexation of a defendant as to be out of proportion to plaintiff's  
14 convenience, which may be shown to be slight or nonexistent." Ravelo Monegro v. Rosa, 211 F.3d 509, 514  
15 (9th Cir. 2000); cf. Baris v. Sulpicio Lines, Inc., 932 F.2d 1540, 1549 (5th Cir. 1991). The Court is not  
16 persuaded that the inconvenience of this forum to Unilever, a multinational company doing business in the  
17 United States and selling its products in California, outweighs the inconvenience to the much smaller plaintiff  
18 companies if a foreign forum is imposed. Nor does the Court see any public interest factor which would  
19 overcome the presumption that plaintiffs' choice of forum will prevail. Ceramic Corp. of America, 1 F.3d at  
20 509. Defendants' motion that this Court should decline to exercise its jurisdiction is, therefore, DENIED.

21  
22 **C. Motion to dismiss for lack of in personam jurisdiction**

23 **1. Legal standard**

24 A court may only exercise jurisdiction over an out-of-state defendant if the defendant is amenable to  
25 service of process under the forum's long-arm statute and if the exercise of jurisdiction over the defendant  
26 would not violate the Due Process Clause of the Fifth and Fourteenth Amendments. Omni Capital Intern. Ltd.  
27 v. Rudolf Wolff & Co. Ltd., 484 U.S. 97, 104, 108 S. Ct. 404 (1987). There are two bases upon which the  
28



1 court may exercise jurisdiction over a defendant in a diversity case under the Due Process Clause. First, there  
2 is general jurisdiction, which arises in cases in which a defendant's "continuous and systematic" contacts within  
3 the forum state renders that defendant amenable to suit in any lawsuit brought against it in the forum state.  
4 Nationwide Mutual Ins. Co. v. Tryg Intern. Ins. Co., 91 F.3d 790, 793 (6th Cir. 1996). Second is specific  
5 jurisdiction, which exists in cases in which the subject matter of the lawsuit arises out of or is related to the  
6 defendant's contacts with the forum. Id.

7 In any action, a basis of in personam jurisdiction must exist for each defendant. Fed. R. Civ.  
8 P.12(b)(2). If challenged, the plaintiff has the burden of establishing a district court's personal jurisdiction over  
9 the defendants. Doe I v. Unocal Corp., 248 F.3d 915, 922 (9th Cir. 2001) (per curiam). However, a district  
10 court should not act on the defendant's motion to dismiss without first holding an evidentiary hearing. Harris  
11 Rutsky & Co. Ins. Servs. v. Bell & Clements Ltd., 328 F.3d 1122, 1128-1129 (9th Cir., 2003). Therefore,  
12 the plaintiff need only make a prima facie showing of jurisdiction to avoid the defendant's motion to dismiss.  
13 Id.; cf. Data Systems, Inc. v. Systems Tech Assoc., Inc., 557 F.2d 1280, 1285 (9th Cir. 1977). Unless directly  
14 contravened, plaintiffs' version of the facts is taken as true, and "conflicts between the facts contained in the  
15 parties' affidavits must be resolved in [plaintiffs'] favor for purposes of deciding whether a prima facie case for  
16 personal jurisdiction exists." Unocal, 248 F.3d at 922 (quoting AT&T v. Compagnie Bruxelles Lambert, 94  
17 F.3d 586, 588 (9th Cir. 1996)); see also Bancroft & Masters, Inc. v. Augusta Nat'l, Inc., 223 F.3d 1082,  
18 1087 (9th Cir. 2000) (holding that "[b]ecause the prima facie jurisdictional analysis requires us to accept the  
19 plaintiff's allegations as true, we must adopt [plaintiff]'s version of events for purposes of this appeal").

20 Personal jurisdiction over a nonresident defendant may exist if the defendant has either a continuous  
21 and systematic presence in the state or minimum contacts with the forum state such that the exercise of  
22 jurisdiction "does not offend traditional notions of fair play and justice." Int'l Shoe Co. v. Washington, 326 U.S.  
23 310, 316, 66 S. Ct. 154, 158 (1946).

- 24  
25 **2. Defendants' motion to dismiss for lack of in personam jurisdiction fails**  
26 **because plaintiffs have made a prima facie showing that Unilever's parent**  
27 **companies and foreign subsidiaries are within the jurisdiction of the Court.**  
28

1 Relying on Cannon Mfg. Co. v. Cudahy Packing Co., 267 U.S. 333, 45 S. Ct. 250 (1925) and its  
2 progeny, defendants submit that this Court does not have in personam jurisdiction over Unilever's parent  
3 corporations and foreign subsidiaries. Defs.' Br. in Supp. of Mot. to Stay or Dismiss at 17:19-18:2. In  
4 Cannon, the Court held that a Maine corporation was not present for purposes of service or jurisdiction in  
5 North Carolina, despite its domination of a subsidiary doing business in that state. However, the Cannon  
6 analysis was based on the "presence" test established in Pennoyer v. Neff, 95 U.S. 714 (1877). Cannon, 267  
7 U.S. at 336-37, 45 S. Ct. at 251. In International Shoe, the Supreme Court replaced Pennoyer's "presence"  
8 test with a "minimum contacts" standard. 326 U.S. at 318-20, 66 S. Ct. at 159-160. As a result, Cannon's  
9 continued viability has been questioned. See Avery Dennison Corp. v. UCB SA, 1997 U.S. Dist. LEXIS  
10 2931, 7-8 (D. Ill. 1997).

11 Defendants are, nonetheless, correct in their assertion that the existence of a relationship between a  
12 parent company and its subsidiaries is not in itself sufficient to establish personal jurisdiction over the parent on  
13 the basis of the subsidiaries' minimum contacts with the forum. Transure, Inc. v. Marsh and McLennan, Inc.,  
14 766 F.2d 1297, 1299 (9th Cir. 1985). On the other hand, if the parent and subsidiary are not really separate  
15 entities, or one acts as an agent of the other, the local subsidiary's contacts with the forum may be imputed to  
16 the foreign parent corporation. El-Fadl v. Central Bank of Jordan, 75 F.3d 668, 676 (D.C. Cir. 1996). An  
17 alter ego or agency relationship is typified by parental control of the subsidiary's internal affairs or daily  
18 operations. Doe I v. Unocal Corp., 248 F.3d 915, 925-926 (9th Cir., 2001); Kramer Motors, Inc. v. British  
19 Leyland, Ltd., 628 F.2d 1175, 1177 (9th Cir. 1980). "Typically, the courts find jurisdiction over the parent  
20 in two situations: 1) where the subsidiary is acting on behalf of or at the direction of the absent parent, i.e., as  
21 the parent's agent, and 2) where the degree of relationship between the parent and the subsidiary is so  
22 significant that it justifies the exercise of jurisdiction." Avery Dennison, 1997 U.S. Dist. LEXIS 2931 at \*8-9.

23 Defendants contend that "[t]here is no fact and no act of commission in the Complaint which is in any  
24 way said to have been committed by Unilever PLC, Unilever N.V. and/or Unilever United States, Inc." Defs.'  
25 Br. in Supp. of Mot. to Stay or Dismiss at 17:2-4. This is not accurate. In the first place, defendants omit to  
26 mention the June 1999 Confidentiality Agreement between IRC and Unilever Research U.S. Vapnek Decl.  
27 in Supp. of Opp'n, Ex. 11. Second, plaintiffs allege that Unilever U.S. improperly filed patent applications  
28

1 incorporating plaintiffs' intellectual property, and that it did so at the behest of one or both of the two parent  
2 companies, Unilever PLC and/or Unilever N.V. Compl. at ¶¶ 47-50. Defendants further argue that Unilever  
3 U.K. Central Resources Ltd. is beyond the jurisdiction of this Court because it is not alleged to do business  
4 in the United States or to have committed any specific act in the United States or California associated with any  
5 cause of action in the Complaint. Defs.' Br. in Supp. of Mot. to Stay or Dismiss at 17:4-6. Plaintiffs, however,  
6 allege that the British subsidiary is the source of the misappropriated intellectual property contained in the U.S.  
7 patents. Compl. at ¶¶ 47-50. It is undisputed that an employee of Unilever U.K. Central Resources Ltd., Dr.  
8 Stephen Makin, is a named inventor of the contested '490 patent and the other U.S. patent applications, and  
9 that Dr. Makin had extensive contact with Dr. Winchell. Id.

10 To establish a prima facie case, plaintiff need only demonstrate facts that if true would support  
11 jurisdiction over the defendant. Ballard v. Savage, 65 F.3d 1495, 1498 (9 th Cir.1995). The evidence  
12 produced by Concat/Chelator meets this standard. Unilever's own literature explains that the companies within  
13 the group act as "a single entity with a single management team," that they co-operate in all areas, and – of  
14 signal importance – that they exchange all relevant business information. Pls.' Opp'n Br. at 12:6-12; Vapnek  
15 Decl. in Supp. of Opp'n, Ex. 22 at p. 47; id., Ex. 23. On this basis, the Court finds, prima facie, that defendant  
16 companies are within the scope of its specific jurisdiction.

17  
18 **D. Motion to dismiss for failure to join indispensable parties**

19 **1. Legal standard**

20 A person claiming an interest in the subject of a civil action shall, if subject to service and unless joinder  
21 of the person would deprive the court of jurisdiction, be joined to the action if those already parties cannot be  
22 accorded complete relief in the person's absence, or if the person's interest in the matter may be prejudiced by  
23 the outcome, or if non-joinder of the person would expose another party to a substantial risk of multiple or  
24 inconsistent obligations. Fed. R. Civ. P. 19(a). If the person has not been joined, the court shall order that the  
25 person be made a party. Id. Such a person is considered a "necessary" party to the action. Temple v. Synthes  
26 Corp., 498 U.S. 5, 111 S. Ct. 315 (1990). If the person cannot be joined, the court must determine whether  
27 "equity and good conscience" will permit the action to proceed. Fed. R. Civ. P. 19(a). If not, the person is  
28

1 considered to be an "indispensable" party to the action. Id.; Temple, 498 U.S. at 7, 111 S. Ct. at 316.  
2 Provident Tradesmens Bank & Trust Co. v. Patterson, 390 U.S. 102, 118-19, 88 S. Ct. 733, 742-43 (1968).  
3 A litigation must be dismissed if an indispensable party cannot be joined. Fed. R. Civ. P. 12(b)(7).

4 Determination of this issue thus proceeds by a two-part inquiry. When a court has found that a party  
5 is "necessary" and should be joined "if feasible," but that joinder is not possible, it must then decide whether to  
6 dismiss or to proceed without that party. Provident Tradesman's Bank, 390 U.S. at 118-19, 88 S. Ct. at 742-  
7 43. Thus, the decision to proceed is a decision that the absent person is merely "necessary" while the decision  
8 to dismiss is a decision that the person is "indispensable." Id., The decision whether to dismiss on grounds of  
9 indispensability is highly case-specific, involving a balancing of substantive and procedural factors. Id. Thus,  
10 a court does not know whether a particular person is "indispensable" until it has examined the situation to  
11 determine whether it can proceed without him. Id.; cf. United States ex rel. Morongo Band of Mission Indians  
12 v. Rose, 34 F.3d 901, 907 (9th Cir., 1994).

13  
14 **2. Defendants have not shown that IRC and/or Complexx are indispensable**  
15 **parties to this litigation because the facts that plaintiffs must prove to prevail**  
16 **would negate or greatly mitigate any prejudicial effect of their non-joinder.**

17 Defendants contend that IRC, the only party with whom Unilever had formal dealings, and its alleged  
18 successor in interest, Complexx, are necessary and indispensable parties to this litigation. Defs.' Br. in Supp.  
19 of Mot. to Stay or Dismiss at 19:15-10. It is true that the agreements at issue were executed in the name of  
20 IRC alone. Lief Decl., Ex. A; Vapnek Decl. in Supp. of Opp'n, Ex. 24, Annex 3. It is also true that "in an  
21 action to set aside a lease or a contract, all parties who may be affected by the determination of the action are  
22 indispensable." Virginia Surety Co. v. Northrop Grumman Corp., 144 F.3d 1243, 1248 (9th Cir. 1998); cf.  
23 Lomayaktewa v. Hathaway, 520 F.3d 1324, 1325 (9th Cir. 1975). However, plaintiffs have not asserted a  
24 breach of contract claim. Their Complaint alleges patent infringement, misappropriation of intellectual property,  
25 fraud and unfair competition. See Compl. at ¶¶ 55-83. The action therefore sounds in tort.

26 Defendants question Concat/Chelator's claim to be the assignee of IRC's intellectual property. Defs.'  
27 Opp'n Br. at 19:15-19, 25-26. They further argue that the uncertainty of Concat/Chelator's claim to title to  
28 the intellectual property at issue exposes Unilever to the risk of multiple suits in a variety of jurisdictions on the

1 same matter. Id. 19:26-20:10. This is a legitimate concern, especially since plaintiffs have yet to produce any  
2 evidence of the alleged assignment of IRC's intellectual property rights to Concat/Chelator, or of the alleged  
3 parent-subsidiary relationship between the U.S. and Israeli companies. Unless they can prove these allegations  
4 at trial, plaintiffs will not prevail.

5 Nonetheless, the facts if as alleged appear to justify Concat/Chelator's claim that it is able to adequately  
6 represent any residual interest IRC and/or Complexx may have in this matter. Pls.' Opp'n Br. at 13:14-20.  
7 A future suit by IRC and/or Complexx against Unilever will be precluded if plaintiffs' control of those companies  
8 is established. The Court notes that plaintiffs have petitioned for correction of inventorship of the disputed  
9 patents to include both Dr. Winchell of Concat/Chelator and Dr. Zaklad of IRC. Compl. at ¶¶ 55-83.  
10 Moreover, the Court is required to consider the extent to which any prejudice to defendants may be lessened  
11 "by protective provisions in the judgement, by the shaping of relief, or other measures." Fed. R. Civ. P. 19(b).  
12 If necessary, the adjudication of this dispute could be tailored to mitigate Unilever's exposure to further suit by  
13 limiting damages or by requiring Concat/Chelator to indemnify Unilever in whole or in part against future claims  
14 by the parties in question.

15 For these reasons, the Court finds that defendants have not shown that IRC or Complexx are  
16 indispensable parties to this action and their motion for dismissal on this basis is DENIED.  
17

18  
19 **II. Plaintiffs' motion for disqualification of defendants' counsel**

20 **A. Legal standard**

21 **1. Disqualification generally**

22 Whether to disqualify counsel is a decision conveyed to the discretion of the district court. See Gas-  
23 A-Tron of Ariz. v. Union Oil Co. of Calif., 534 F.2d 1322, 1325 (9th Cir. 1976). Pursuant to Local Rule 11,  
24 every attorney before this Court must "comply with the standards of professional conduct required of the  
25 members of the state Bar of California." N.D. Cal. Civ. Local Rule 11-4(a)(1). Accordingly, the Court applies  
26 California law in this matter. Certain Underwriters at Lloyd's, London v. Argonaut Ins. Co., 264 F. Supp. 2d  
27 914 (N.D. Cal. 2003); see also Asyst Technologies v. Empak, Inc., 962 F. Supp. 1241, 1242 (N.D. Cal.  
28

1 1997); Elan Transdermal Ltd. v. Cygnus Therapeutic Systems, 809 F. Supp. 1383, 1387 (N.D.Cal. 1992).

2  
3 Because disqualification is a drastic measure, it is generally disfavored and should only be imposed  
4 when absolutely necessary. See Alexander v. Primerica Holdings, Inc., 822 F. Supp. 1099, 1114 (D.N.J.  
5 1993); United States ex rel. Lord Electric Co. v. Titan Pac. Constr. Corp., 637 F. Supp. 1556, 1562 (W.D.  
6 Wash. 1986). When deciding whether disqualification is warranted, "[t]he court must weigh the combined  
7 effect of a party's right to counsel of choice, an attorney's interest in representing a client, the financial burden  
8 on a client of replacing disqualified counsel and any tactical abuse underlying a disqualification proceeding  
9 against the fundamental principle that the fair resolution of disputes within our adversary system requires  
10 vigorous representation of parties by independent counsel unencumbered by conflicts of interest." Allen v.  
11 Academic Games Leagues of Am., 831 F. Supp. 785, 789 (C.D.Cal. 1993) (citing In re Lee G., 1 Cal. Rptr.  
12 2d 375, 380 (Cal. Ct. App. 1991)); see also Lord Electric, 637 F. Supp. at 1562. Because a motion to  
13 disqualify is often tactically motivated and can be disruptive to the litigation process, it is a drastic measure that  
14 is generally disfavored. Visa U.S.A., Inc. v. First Data Corp., 241 F. Supp.2d 110, 1104 (N.D. Cal. 2003);  
15 cf. Certain Underwriters, 264 F. Supp. 2d at 918. On the other hand, however, "the paramount concern must  
16 be the preservation of public trust both in the scrupulous administration of justice and in the integrity of the bar."  
17 State Farm Mut. Auto Ins. Co. v. Federal Ins. Co., 86 Cal. Rptr. 2d 20, 24 (Cal. Ct. App. 1999). In Snider  
18 v. Superior Court, 7 Cal. Rptr. 119, 125 (Cal. Ct. App. 2003), the court explained that it was important to  
19 have a bright-line test to determine the ethical boundaries of an attorney's conduct. "Otherwise, an attorney  
20 would be uncertain whether the rules had been violated until . . . he or she is disqualified. Unclear rules risk  
21 blunting an advocate's zealous representation of a client." Id. (quoting Nalian Truck Lines, Inc. v. Nakano  
22 Warehouse & Transp. Corp., 8 Cal. Rptr. 2d 467, 472 (Cal. Ct. App. 1992)); cf. Crenshaw v. Mony Life  
23 Ins. Co., 2004 U.S. Dist. LEXIS 9882, \*8-11 (S.D. Cal., 2004).

## 24 25 26 **2. Concurrent representation**

27 This issue is governed by Rule 3-310 of the California Rules of Professional Conduct, which states:  
28

1 (C) A member shall not, without the informed written consent of each client: (1) Accept  
2 representation of more than one client in a matter in which the interests of the clients  
3 potentially conflict; or (2) Accept or continue representation of more than one client  
4 in a matter in which the interests of the clients actually conflict; or (3) Represent a client  
5 in a matter and at the same time in a separate matter accept as a client a person or  
6 entity whose interest in the first matter is adverse to the client in the first matter . . . .

\* \* \*

5 (E) A member shall not, without the informed written consent of the client or former client,  
6 accept employment adverse to the client or former client where, by reason of the  
7 representation of the client or former client, the member has obtained confidential  
8 information material to the employment.

8 Cal. Rules of Prof'l Conduct 3-310. Rule 3-310 prohibits representation of clients whose interests are adverse  
9 unless both clients give their informed consent. Certain Underwriters, 264 F. Supp. 2d at 918-919; Visa, 241  
10 F. Supp. 2d at 1104; Flatt v. Superior Court, 885 P.2d 950, 956 n.4 (Cal. 1994); Truck Ins. Exch. v.  
11 Fireman's Fund Ins. Co., 8 Cal. Rptr. 2d 228, 231 (Cal. Ct. App. 1992). The prohibition applies even if the  
12 two disputes are unrelated. Flatt, 885 P.2d at 955 (holding that "[e]ven though the simultaneous  
13 representations may have nothing in common, and there is no risk that confidences to which counsel is a party  
14 in the one case have any relation to the other matter, disqualification may nevertheless be required") (emphasis  
15 in original). The reason for the prohibition is "the attorney's duty -- and the client's legitimate expectation -- of  
16 loyalty, rather than confidentiality." Id. (emphasis in original); cf. Certain Underwriters, 264 F. Supp. at 919;  
17 Mindscape, Inc. v. Media Depot, Inc., 973 F. Supp. 1130, 1132-33 (N.D. Cal. 1997); Forrest v. Baeza, 67  
18 Cal. Rptr. 2d 857, 862 (Cal. Ct. App. 1997) (holding that "[t]he strict proscription against dual representation  
19 of clients with adverse interests . . . derives from a concern with protecting the integrity of the attorney-client  
20 relationship rather than from concerns with the risk of specific acts of disloyalty or diminution of the quality of  
21 the attorney's representation"); Truck Ins. Exchange, 8 Cal. Rptr. 2d at 232 (stating that "[i]f this duty of  
22 undivided loyalty is violated, 'public confidence in the legal profession and the judicial process is undermined.'")  
23 (citing In Re Yarn Processing Patent Validity Litigation, 530 F.2d 83, 89 (5th Cir. 1976)). In Unified  
24 Sewerage Agency v. Jelco Inc., 646 F.2d 1339, 1345 (9th Cir. 1981), the court held that "disqualification of  
25 a law firm based upon representation of a client in a lawsuit against an existing client requires no showing of  
26 specific 'adverse effect' resulting from such representation."

1           **B.     The Court's decision to stay this suit pending arbitration in another forum does not**  
2           **moot plaintiffs' motion to disqualify counsel because there is a substantial likelihood**  
3           **of further proceedings in the federal courts.**

4           Defendants argue that, having granted their motion to stay this litigation pending arbitration in London,  
5 the Court should dismiss plaintiffs' motion for disqualification of counsel as moot. Defs.' Opp'n Br. at 4:13-22.  
6 A federal district court in southern California, faced with facially similar facts and issues, has adopted this  
7 course. Richards v. Lloyds of London, 1995 U.S. Dist. LEXIS 6888 (S.D. Cal. 1995), aff'd en banc with  
8 regard to enforcement of forum agreement only, 135 F.3d 1289 (9th Cir. 1998), cert. denied 525 U.S. 943,  
9 119 S. Ct. 365 (1998). In that case, however, the court, having found that a wholly unambiguous forum  
10 choice clause was enforceable, dismissed the case and thereby relinquished its jurisdiction. 1995 U.S. Dist.  
11 LEXIS 6888 at \*42. This Court has not done so and further litigation in this forum is, therefore, possible.

12           The Court recognizes that its determination of this matter will have no force outside of its jurisdiction  
13 and that the International Court of Arbitration will apply its own conflict rules. However, plaintiffs may seek  
14 leave to appeal this Court's decision to stay the action or, at a later date, petition this Court for review of an  
15 arbitral decision. It is also possible that the LCIA will grant plaintiffs' motion to dismiss the arbitration. See  
16 Vapnek Decl. in Supp. of Opp'n, Ex. 24. The Court therefore finds that, because there is a substantial  
17 likelihood of further proceedings within this jurisdiction, the issue of disqualification of counsel remains the  
18 subject of a live controversy. See City of Erie v. Pap's A.M., 529 U.S. 277, 288, 120 S. Ct. 1382, 1391  
19 (2000) (holding that "[o]ur interest in preventing litigants from attempting to manipulate the Court's jurisdiction  
20 to insulate a favorable decision from review . . . counsels against a finding of mootness here").

21  
22           **C.     Dodson's preliminary employment discussions with Morgan, Lewis do not justify**  
23           **disqualification of Morgan, Lewis because the duty of client confidentiality applied to**  
24           **those discussions and there is no evidence that a breach occurred.**

25           Plaintiffs' motion to disqualify Morgan, Lewis has two factual bases, each of which requires separate  
26 consideration. First, plaintiffs allege a conflict of interest arising from the preliminary employment discussions  
27 between Morgan, Lewis and plaintiffs' erstwhile attorney, Dodson. Pls.' Br. in Supp. of Mot. to Disqualify at  
28 10:12-26. Discussions of this nature are covered by the attorney's duty of client confidentiality. People v.



1 SpeeDee Oil Change Systems, Inc., 980 P.2d 371, 378-79 (Cal. 1999). For Dodson to share confidential  
2 information about Chanced/Chelator with Morgan, Lewis would be a grave violation of that duty, even if he  
3 had no knowledge of a dispute. However, the record contains no evidence of any such improper disclosure.  
4 Plaintiffs state that Dodson withdrew his representation immediately upon discovering that Unilever was  
5 Morgan, Lewis' client. Pls.' Br. in Supp. of Mot. to Disqualify at 10:12-14; cf. Winchell Decl. at ¶ 20.  
6 Discussions between Dodson and Morgan, Lewis were discontinued at the same time. Kraeutler Decl. at ¶¶  
7 5-6. However, these observations do not dispose of the issue entirely. The following Opinion of the American  
8 Bar Association, cited by defendants, Opp'n Br. at 11:14-15, turns out to be less than wholly favorable to their  
9 position:

10 A lawyer's pursuit of employment with a firm or party that he is opposing in a matter may  
11 materially limit his representation of his client, in violation of Model Rule 1.7(b). Therefore, the  
12 lawyer must consult with his client and obtain the client's consent before that point in the  
13 discussions when such discussions are reasonably likely to materially interfere with the lawyer's  
14 professional judgment. . . . Generally, the time for consultation and consent will be the time at  
15 which the lawyer agrees to engage in substantive discussions of his experience, clients, or  
16 business potential, or the terms of a possible association, with the opposing firm or party. If  
17 client consent is not given, the lawyer may not pursue such discussions unless he is permitted  
18 to withdraw from the matter. . . . Lawyers in the law firm negotiating with the lawyer also have  
19 a conflict, requiring similar action to resolve, if their becoming associated with the lawyer would  
20 cause their firm's disqualification, or if the interest of any of those lawyers in the job-seeking  
21 lawyer's becoming associated with the firm may materially limit their representation of a client  
22 adverse to the job-seeking lawyer.

23 "Job Negotiations with Adverse Firm or Party," ABA Formal Op. 96-400 (January 24, 1996),  
24 <http://www.abanet.org/cpr/ethicsearch/96400.html> (last visited July 1, 2004). No direct testimony regarding  
25 Dobson's reasons for his decision to withdraw from representation from Chanced/Chelator is at present before  
26 the court. Nonetheless, the fact that he did so gives rise to the reasonable, if circumstantial, inference that he  
27 believed his negotiations with Morgan, Lewis had reached, or were approaching, the stage of "substantive  
28 discussions" at which a conflict would arise.<sup>5</sup> Morgan, Lewis deny that this was so and state that the

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25 <sup>5</sup> However, ABA Formal Op. 96-400 would only prohibit Dodson from continuing his discussions with  
26 Morgan, Lewis without first obtaining the permission of Concat/Chelator. It would not require him to  
27 unilaterally withdraw from representation of Concat/Chelator. The ethical basis of his decision is, therefore,  
28 unclear. See Stanley v. Richmond, 41 Cal. Rptr. 2d 768, 775 (Cal. Ct. App. 1995) (holding that, where an  
attorney has accepted employment with a firm representing a party adverse to her client without first having  
obtained the client's permission, the attorney has a duty to withdraw as soon as practical, but only after taking  
"reasonable steps to avoid foreseeable prejudice to the rights of [her] client, including giving due notice to [the]  
client [and] allowing time for employment of other counsel" (citing Cal. Rules of Prof'l Conduct, Former Rule

1 discussions never passed the preliminary stage. Defs.' Opp'n Br. at 3:16-22, 11:6-10; Kraeutler Decl. at ¶¶  
2 2-6.

3 In oral argument, plaintiffs pointed to an email dated November 14, 2003, from Stephen Gatley of  
4 Morgan, Lewis to Vapnek's partner, Henry Heines. Vapnek Decl. in Supp. of Pls.' Mot. to Disqualify, Ex.  
5 6. Plaintiffs drew attention to Judlowe's statement that Morgan, Lewis had disclosed the discussions to  
6 Unilever and obtained Unilever's informed consent to proceed. Id. Gatley further stated: "Morgan Lewis has  
7 received no information of any kind from Mr. Dobson about this matter, other than to identify the existing  
8 adversity between Unilever and Winchell/Chelator and to discuss scheduling of the proposed meeting in the  
9 United Kingdom." Id. Plaintiffs interpreted this as meaning that Morgan, Lewis was aware of the conflict  
10 during the time when it was conducting partnership discussions with Dobson. The Court finds that the evidence  
11 will not bear this weight. The meeting to which Gatley refers was to have been held at Morgan, Lewis's  
12 London offices. Dobson only became aware of the conflict when Unilever proposed this meeting. Pls.' Br.  
13 in Supp. of Mot. to Disqualify at 10:12-18. Plaintiffs infer that the disclosure to which Gatley refers occurred  
14 before these events, but there is no evidence that Morgan, Lewis or Unilever knew about the conflict before  
15 Dobson became aware of it.

16 On the present record, the Court finds that, with regard to this issue, Concat/Chelator has not met the  
17 burden of proof required for disqualification of counsel. In the absence of evidence of disclosure of confidential  
18 information, the fact that Dobson is no longer Concat/Chelator's attorney has removed any potential conflict  
19 and the issue is, therefore, moot.

20  
21  
22 **D. Disqualification of Morgan, Lewis is required by law because the firm's concurrent**  
23 **attorney-client relationships with Unilever and Dr. Winchell breach the attorney's duty**  
**of loyalty to client, not confidentiality.**

24 **1. Concat/Chelator has standing to raise the issue of disqualification because Dr.**  
25 **Winchell has an ownership interest in Concat/Chelator and was formerly an**  
26 **owner of IRC; because, at the time when he consulted Morgan, Lewis, he was**  
27 **the managing partner of Concat/Chelator; and because he played a leading**  
**role in IRC's and Concat/Chelator's dealings with Unilever.**

28 2-111; cf. Rule 3-700(A)(1)(2)).

1 Defendants argue that, if Dodson's relationship with Morgan, Lewis is set aside, Chanced/ Chelator  
2 has no standing to raise the issue of disqualification, because neither company is, or has ever been, a client of  
3 Morgan, Lewis, and Dr. Winchell is not a party to this dispute. Defs.' Opp'n Br. at 4:25-5:8. It is true that,  
4 "as a general rule, courts do not disqualify an attorney on the grounds of conflict of interest unless the former  
5 client moves for disqualification." Kasza v. Browner, 133 F.3d 1159, 1171 (9th Cir. 1998) (quoting United  
6 States v. Rogers, 9 F.3d 1025, 1031 (2d Cir. 1993) (quoting, in turn, Yarn Processing, 530 F.2d at 88).  
7 However, courts have found that non-client litigants may have standing to move for disqualification of counsel  
8 in cases where they have a sufficient "personal stake" in the motion because "the ethical breach so infects the  
9 litigation in which disqualification is sought that it impacts the moving party's interest in a just and lawful  
10 determination of her claims." Colyer v. Smith, 50 F. Supp. 2d 966, 971 (C.D. Cal. 1999); cf. Doe v. Madison  
11 Sch. Dist. No. 321, 177 F.3d 789 (9th Cir. 1999) (stating that "[o]rdinarily, to prove an injury in fact under  
12 Article III of the Constitution, the plaintiff need only allege an injury that is 'fairly traceable' to the wrongful  
13 conduct") (quoting Kane v. Johns-Manville Corp., 843 F.2d 636, 642 n.2 (2d Cir. 1988)); Metro-Goldwyn-  
14 Mayer v. Tracinda Corp., 43 Cal. Rptr. 2d 327, 335 (Cal. Ct. App. 1995) (holding that disqualification is  
15 appropriate where counsel's employment is adverse to the client or former client, even though the prior client  
16 is not a party to the litigation). The circumstances of the present case conform to these conditions.

17 Defendants initially questioned Dr. Winchell's interest in Concat/Chelator. Defs.' Opp'n Br. at 4:25-28.  
18 On this basis, they challenged Concat/Chelator's standing to bring this motion since Dr. Winchell is not a party  
19 to the litigation and Concat/Chelator is not and has never been a client of Morgan, Lewis. Id. at 5:1-7:18. At  
20 oral argument and subsequently, plaintiffs have declared that Dr. Winchell and his wife own a 24% limited  
21 partnership interest in Chanced, which is the sole owner of Chelator, and that Dr. Winchell was the majority  
22 stockholder and board Chairman of IRC. Winchell Supplemental Decl. in Supp. of Pls.' Mot. to Disqualify  
23 at 2:4-25. It is undisputed that, during the period covered by this dispute, Dr. Winchell was Concat's managing  
24 partner and that he played a leading role in the negotiations and scientific discussions between IRC and  
25 Unilever. Compl. at ¶¶ 19-44.

26 Defendants now accept the fact of Dr. Winchell's ownership interest in Concat/Chelator but maintain  
27 that "the case law overwhelmingly requires the client to bring the Motion to Disqualify – not a third party, even  
28

1 if there is an ownership connection." Letter of James N. Penrod dated July 7, 2004 at p. 3. It is true that, in  
2 order to establish Article III standing, a party must show that it has personally suffered an "injury in fact" which  
3 is causally related to the conduct at issue. Colyer, 50 F. Supp. 2d at 968 (citing Lujan v. Defenders of Wildlife,  
4 504 U.S. 555, 560-61, 112 S. Ct. 2130, 2136-37 (1992)). Defendants' position is that non-party Winchell  
5 did not disclose any confidential information about Concat/Chelator to Thomas of Morgan, Lewis and,  
6 therefore, no "injury in fact" has occurred. Defs.' Opp'n Br. at 7:1-18; Penrod letter at 1-3. However,  
7 defendants invoke the "substantially related" standard, which is applicable to former, not concurrent, client  
8 relationships. Defs., Opp'n Br. at 6:4-8; but see Yarn Processing, 530 F.2d at 89. Moreover, the prohibition  
9 against concurrent adverse representation is based on the duty of loyalty, not confidentiality. Even in cases  
10 involving prior relationships with non-parties, courts have recognized a variety of circumstances under which  
11 disqualification is required. Thomas v. Municipal Court of Antelope Valley J.D., 878 F.2d 285 (9th Cir.  
12 1989); Hull v. Celanese Corp., 513 F.2d 568, 569 (2d Cir. 1975); Leveresen v. Superior Court, 668 P.2d 755  
13 (Cal.1983); Comden v. Superior Court, 576 P.2d 971 (Cal. 1978); Metro-Goldwyn-Mayer, 43 Cal. Rptr.  
14 2d at 335; William H. Raley Co. v. Superior Court, 197 Cal. Rptr. 232 (Cal. Ct. App.1983); Jeffry v.  
15 Pounds, 136 Cal. Rptr. 373 (Cal. Ct. App. 1977)).

16 In light of the much stricter standard applying to conflicts arising from concurrent representation, the  
17 Court agrees with plaintiffs that Dr. Winchell's disclosures to Thomas of Morgan, Lewis were not merely of  
18 a private nature, since they were inextricably intertwined with the business and financial matters of  
19 Concat/Chelator. Pls.' Br. in Supp. of Mot. to Disqualify at 6:25-28; Pls.' Reply at 4:6-8. This fact gives  
20 Concat/Chelator standing. See Emle Industries, Inc. v. Patentex, Inc., 478 F.2d 562 (2d Cir.1973) (granting  
21 motion to disqualify made by the corporation which the former client controlled).<sup>6</sup>

- 22  
23 **2. The advance waiver signed by Dr. Winchell is insufficient to establish**  
24 **informed consent owing to its very general nature and because Morgan, Lewis**  
25 **failed in its obligation to request a further waiver when it discovered the**  
26 **dispute between Unilever and Concat/Chelator.**

27 <sup>6</sup> In oral argument, defendants argued that Winchell is a "de facto former client" because he never  
28 followed through with Thomas. If Winchell was a former client, there is no conflict unless the issues are  
"substantially related." Yarn Processing, 530 F.2d at 89. However, the reason Winchell never followed  
through was presumably that he discovered the conflict. Plaintiffs pointed out that Thomas owed work product  
to Winchell and suggested that he failed to follow through for the same reason.

1 "When evaluating whether a law firm may concurrently represent two clients, even on unrelated matters,  
2 it is presumed that the duty of loyalty has been breached and counsel is automatically disqualified." Visa, 241  
3 F. Supp. 2d at 1104; cf. Flatt, 885 P.2d at 955; Truck Ins. Exch., 8 Cal. Rptr. 2d at 231-32. Morgan, Lewis'  
4 concurrent representation of Dr. Winchell and Unilever is therefore, prima facie, cause for disqualification.  
5 However, under California law, the presumption may be rebutted if full disclosure is made and both clients  
6 agree in writing to waive the conflict. Id. at 1105. Since the waiver must be informed, a second waiver may  
7 be required if the original waiver insufficiently disclosed the nature of a subsequent conflict. Visa, 241 F. Supp.  
8 2d at 1106. Evaluation of whether the original disclosure was adequate requires a fact-specific inquiry. Id.  
9 Factors that may be considered include: (1) the waiver's breadth; (2) its temporal scope, i.e., whether it waived  
10 only current conflicts or applied to all conflicts in the future; (3) the quality of the conflict discussion between  
11 attorney and client; (4) the specificity of the waiver; (5) the nature of the actual conflict, i.e., whether the  
12 attorney sought to represent both clients in the same dispute or in unrelated matters; (6) the sophistication of  
13 the client; and (7) the interests of justice. Id. (citing, e.g., SpeeDee Oil Change, 980 P.2d at 378; Zador Corp.,  
14 N.V. v. Kwan, 37 Cal. Rptr. 2d 754, 758-59 (Cal. Ct. App. 1995)).

15 Applying these factors to the waiver executed by Dr. Winchell at Thomas' request, Winchell Decl., Ex.  
16 1, the Court finds as follows: (1) the terms of the waiver are extremely broad and were evidently intended to  
17 cover almost any eventuality; (2) its temporal scope is likewise unlimited; (3) the record contains no evidence  
18 of any discussion of the waiver;<sup>7</sup> (4) the waiver lacks specificity as to the conflicts that it covers and effectively  
19 awards Morgan, Lewis an almost blank check; (5) however, Morgan Lewis explicitly stated that it would not  
20 seek to represent Dr. Winchell and an adverse client in a "substantially related" matter; and (6) Dr. Winchell's  
21 education and business experience are strongly indicative of a high degree of sophistication. Thus, the fifth and  
22 sixth factors tend to support a finding of informed consent, but the first four weigh in the opposite direction.  
23 The interests of justice (factor 7) remain to be determined.

24 Defendants maintain that prospective conflict waiver letters are "a sine qua non for large law firms  
25 practicing in diverse practice and geographic areas." Defs.' Opp'n Br. at 9:9-10. It is true, as defendants  
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27 <sup>7</sup> Thomas states that he met with Dr. Winchell only once, on July 1, 2003, and does not list the subject  
28 among the contents of the discussion. Thomas Decl. at ¶ 2. The letter containing the waiver is dated July 2  
and was not executed by the Winchells until July 22 and 23. Winchell Decl., Ex. 1.

1 assert, that a prospective waiver is not required to indicate every conceivable possibility of potential conflict.  
2 Visa, 241 F. Supp. at 1105. Here, Morgan, Lewis had no knowledge of the impending dispute between  
3 Concat/Chelator and Unilever, and no blame attaches to Thomas for failing to detect a conflict which had not  
4 yet crystallized. There is no evidence that either party was aware of the conflict until October 30, 2003, when  
5 Unilever informed Dobson that Morgan, Lewis would be its counsel in the dispute.<sup>8</sup> However, Morgan, Lewis  
6 should have checked for a potential conflict before agreeing to undertake representation of Unilever. It is at  
7 least arguable that, had they done so with sufficient thoroughness, they would have discovered the connection  
8 between Thomas and Concat/Chelator, via Dr. Winchell.

9 The important question, however, is why Morgan, Lewis, when it did eventually become aware of its  
10 concurrent obligations to opposing clients, failed to notify the parties and, unless they both agreed to waive the  
11 conflict, withdraw from this dispute. Under the law of this jurisdiction, even if a prospective waiver of conflict  
12 has been obtained, the attorney must request a second, more specific waiver, "if the [prospective] waiver letter  
13 insufficiently disclosed the nature of the conflict that subsequently arose between the parties." Id. at 1106. This  
14 Morgan, Lewis did not do. In Visa, the court found that a second waiver was not required because the initial  
15 waiver signed by plaintiff First Data Corporation included specific disclosure of the law firm's concurrent  
16 representation of defendant Visa U.S.A., Inc., together with a clear warning that, because First Data and Visa  
17 were business competitors, the two concurrent client relationships might, in future, give rise to conflict. Id. at  
18 1107. Having been given adequate opportunity for review, First Data knowingly and specifically waived its  
19 objection to the firm's representation of Visa in future litigation against First Data. Id. See also Zador, 37 Cal.  
20 Rptr. 2d at 764 (upholding a prospective waiver in which the prospective adverse client was named). These  
21 facts are in stark contrast to the generalized boilerplate waiver that Morgan, Lewis presented to Dr. Winchell.  
22 By the standard that applies in this jurisdiction, Morgan, Lewis failed to obtain Dr. Winchell's – or Chanced/  
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24 <sup>8</sup> The Court accepts Morgan, Lewis' explanation that the bill sent to Dr. Winchell with a request for  
25 immediate payment was routine, despite Dr. Winchell's suspicions that it was an attempt to obtain payment  
26 before he discovered the conflict. Def.'s Opp'n Br. at 3 n.1; Thomas Decl. at ¶ 6; Winchell Decl. at ¶ 22.  
27 By the same token, the Court rejects defendants' suggestion that Dr. Winchell approached Thomas on a  
28 pretext, with the intention of ensnaring him in a conflict of interest. Def.'s Opp'n Br. at 9 n.7. The Court notes  
in passing that this grave but unsupported accusation appears to concede that the conflict would be problematic  
for Morgan, Lewis. There is no evidence that Concat/Chelator knew in advance that Morgan, Lewis would  
be Unilever's counsel in this dispute. Dr. Winchell explains that he approached Thomas on a recommendation  
from his son-in-law. Winchell Decl. at ¶ 4.

1 Chelator's -- informed consent to a waiver of conflict in this dispute. See Cal. Rules of Prof'l Conduct 3-  
2 310(C), (E).

- 3  
4  
5 **3. The inter-attorney screening measures instituted by Morgan, Lewis are**  
6 **insufficient because they were directed only to the preservation of**  
7 **confidentiality and did not cure the firm's breach of its duty of loyalty to its**  
8 **client, and because they were too late to be effective.**

9 Defendants maintain that no conflict of interest exists in fact because Thomas has never shared the  
10 information he obtained from Dr. Winchell with the New York-based Morgan, Lewis attorneys representing  
11 Unilever, and because Morgan, Lewis has instituted screening measures to prevent this from occurring in the  
12 future. Defs.' Opp'n Br. at 10:12-21; Thomas Decl. at ¶ 9; Kittredge Decl. at ¶ 3-4. In support of this  
13 argument, defendants cite the court's statement in County of Los Angeles v. United States Dist. Court (In re  
14 County of Los Angeles), 223 F.3d 990, 996 (9th Cir. 2000), that "[a]n ethical wall, when implemented in a  
15 timely and effective way, can rebut the presumption that a lawyer has contaminated the entire firm."  
16 However, this statement applied to "the use of screening procedures to avoid vicarious disqualification where  
17 a former judicial officer or government lawyer has joined the firm." Id. (citing Model Rules of Prof'l Conduct  
18 R. 1.11(a)-(b), 1.12(c)(1)). Under circumstances such as these, "the ethical wall concept has had some limited  
19 acceptance in California as a method to avoid what might be the unduly harsh result of vicarious disqualification  
20 of an entire firm. But that acceptance has been in a very different arena -- that of former government attorneys  
21 now in private practice -- and has involved a situation in which the former government attorney has not had  
22 access to confidential information concerning the subject matter of the litigation." Henriksen v. Great Am. Sav.  
23 & Loan, 14 Cal. Rptr. 2d 184, 187 (Cal. Ct. App. 1992) (citations omitted). A situation in which an individual  
24 member of a firm is disqualified because of his prior employment is quite different from one in which two  
25 partners concurrently represent adverse clients.

26 Although an ethical wall may, in certain limited circumstances, prevent a breach of confidentiality, it  
27 cannot, in the absence of an informed waiver, cure a law firm's breach of its duty of loyalty to its client. Visa,  
28 241 F. Supp. 2d at 1110. Screening measures like those instituted by Morgan, Lewis do nothing to mitigate  
conflict arising from concurrent adverse client relationships, since the purpose of the prohibition against such

relationships is to preserve the attorney's duty of loyalty, not confidentiality, to his client. Certain Underwriters, 264 F. Supp. at 919; Mindscape, 973 F. Supp. at 1132-33; Flatt, 885 P.2d at 955-56; Forrest, 67 Cal. Rptr. 2d at 862 ; Truck Ins. Exch., 8 Cal. Rptr. at 231-32. Since the duty of loyalty is paramount, the prohibition applies even where there is no misuse of confidential information or other evident adverse effect. Unified Sewerage Agency, 646 F.2d at 1345. Because the measures taken by Morgan, Lewis were directed only to the preservation of confidentiality and failed to address the issue of client loyalty, they were an ineffective response to the conflict in which the firm found itself embroiled. That a conflict of loyalty exists in fact as well as in principle is indicated by the fact that Dr. Winchell's own attorney, Thomas, has voluntarily testified in support of defendants and in direct opposition to the interests of his client. See Thomas Decl. in Supp. of Defs.' Opp'n to Pls.' Mot. to Disqualify.

Even if the ethical wall could have prevented a conflict, it was not implemented before November 24, 2003, three months after Dodson's August 12 letter to Unilever initiated this dispute. Winchell Decl., Ex. 3. It was thus too late to be effective. See LaSalle Nat'l Bank v. County of Lake, 703 F.2d 252, 259 (7th Cir. 1983) (holding that, for an ethical screen to be effective, it must be set up at the time when the potentially disqualifying event occurred); Cobb Publishing, Inc. v. Hearst Corp., 907 F. Supp. 1038, 1047 (E.D. Mich. 1995) (finding that a delay of eleven or eighteen days in establishing an ethical wall is too long).

Thus, Morgan, Lewis cannot escape the conflict arising from its concurrent representation of parties with adverse interests in this litigation and plaintiffs' motion to disqualify the firm from further participation in this suit is, therefore, GRANTED.

#### CONCLUSION

For the foregoing reasons and for good cause shown, the Court hereby

- (1) GRANTS defendants' motion to stay this litigation pending proceedings at the London Court of International arbitration [docket # 7];
- (2) DENIES defendants' motion to dismiss this litigation [docket #7]; and



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(3) GRANTS plaintiffs' motion to disqualify defendants' counsel, Morgan, Lewis & Bockius LLP, from appearing on behalf of or advising defendants, or advising other counsel, in connection with any matter associated with this dispute within the jurisdiction of this Court [docket # 12].

**IT IS SO ORDERED.**

Dated: September 7, 2004

s/Susan Illston  
SUSAN ILLSTON  
United States District Judge